

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of St. Johns</b>	County <b>Clinton</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/1/05</b>	Date Accountant Report Submitted to State: <b>10/19/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

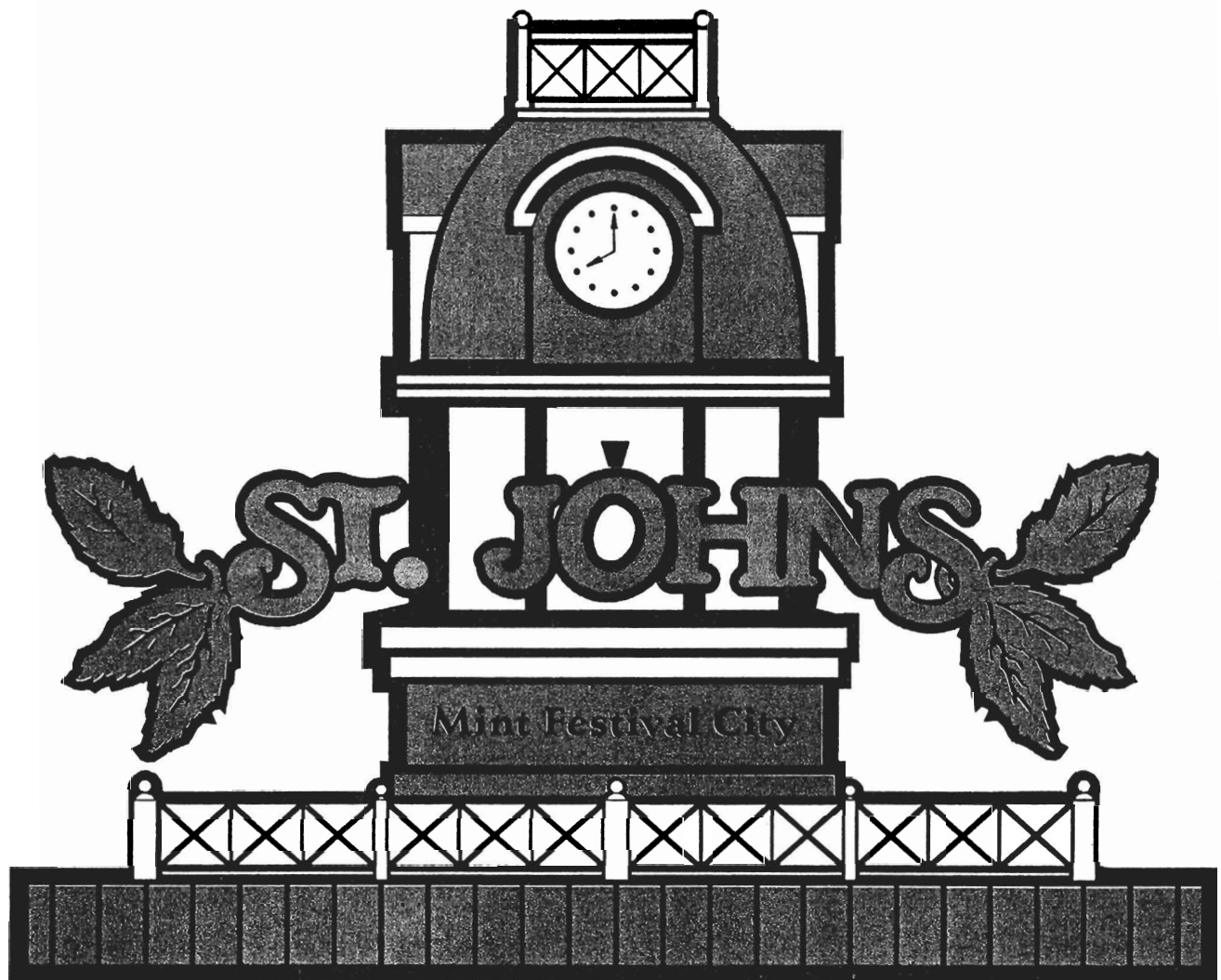
- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney, P.C.</b>			
Street Address <b>3511 Coolidge, Suite 100</b>	City <b>East Lansing</b>	State <b>MI</b>	ZIP <b>48823</b>
Accountant Signature <i>Abraham &amp; Gaffney, P.C. Anna M. Jones</i>		Date <b>10/11/05</b>	

# **CITY OF ST. JOHNS, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2005**



# **CITY OF ST. JOHNS, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

**Prepared by:**  
**Treasurer's Office**

**Gregory T. Teichman**  
**City Treasurer**

City of St. Johns

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

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City of St. Johns

Comprehensive Annual Financial Report  
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## **INTRODUCTORY SECTION**

**Richard Starck**  
*Mayor*

**Dana C. Beaman**  
*Vice Mayor*

**Mark R. Bates**  
*Commissioner*

**Heather R. Hanover**  
*Commissioner*

**Barry Dean**  
*Commissioner*



September 26, 2005

**Dennis D. LaForest**  
*City Manager*

**Cynthia M. Warda**  
*Deputy City Manager*

**Mindy J. Seavey**  
*City Clerk*

**Gregory T. Teichman**  
*City Treasurer*

**John B. Salemi**  
*City Attorney*

**Daniel J. Vreibel, P.E.**  
*City Engineer*

**Steven E. Wagner**  
*Community  
Development Director*

The Honorable Mayor and  
Members of the City Commission  
City of St. Johns  
St. Johns, Michigan

The Treasurer's and City Manager's Offices are pleased to submit the comprehensive Annual Financial Report for the City of St. Johns, Michigan for the fiscal year ended June 30, 2005.

This report is published to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To assure interested parties have reliable information, a system of internal controls is implemented. These internal controls are designed to detect irregularities in the accounting system. The controls are designed to assure a reasonable level of oversight. While no system of controls can test and examine every financial event, the controls implemented give a high level of confidence that no material misrepresentations are given.

The City of St. Johns charter requires that the City has an annual audit. This audit is performed by contracted independent auditors and their report is included in the following sections.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of St. Johns' MD&A can be found immediately following the report of the independent auditors.

## THE REPORTING ENTITY AND ITS SERVICES

### Location

The City of St. Johns is located 18 miles north of downtown Lansing. St. Johns is the county seat for Clinton County, Michigan, and with the completion of highway construction linking US-27 with I-69/96 provides ready access to the interstate systems that make travel to Detroit, Chicago, Cleveland, Indianapolis, and other major metropolitan markets simple and easy. In addition, M-21 and BR US-27, which bisect St. Johns, are routes of quick access to Lansing, Grand Rapids, and Flint. The City encompasses an area of approximately 3.77 square miles, has a population of approximately 7,500, and 39.23 miles of streets.

The City is a home rule city operating under the Commission-Manager form of government. The City Commission is comprised of the Mayor and four Commission members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Commission and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board.

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(989) 224-8944 Fax (989) 224-2204  
E-mail: [csj@ci.saint-johns.mi.us](mailto:csj@ci.saint-johns.mi.us)

## **Services Provided**

The City provides a full range of municipal services including police and fire protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services. Internal services of the City include the mobile equipment operations.

Component Units included in the City's financial report include a Local Development Finance Authority (LDFA) and a Principal Shopping District. These are legally defined and included in sections of the financial reports as appropriate. The purpose of the LDFA is to promote and expand economic growth within the defined Authority. The Principal Shopping District was formed to enhance and coordinate growth and opportunities within the District.

The annual budget serves as the foundation for the City of St. Johns' financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 33 as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 36, or other supplementary information (for nonmajor funds), starting on page 46.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of St. Johns operates.

### **Local Economy**

People have been coming to St. Johns for almost 150 years. In 2006, the City of St. Johns will be celebrating its 150 year anniversary or its sesquicentennial. There will be planned events and celebrations which will provide extra exposure to the City. Some came to set up businesses ranging from retail shops to automotive parts factories. Others came to be in the seat of county government. Lately, many have come seeking a friendly community and hometown environment that is close to the City of Lansing. St. Johns is poised to accommodate everyone and its cooperative spirit remains the reason both businesses and families choose the community.

Residential housing in a variety of price ranges is abundant in the St. Johns area. Beautiful new single and multi-family dwellings in new City subdivisions ring the City. Stately, historic homes located in the center of the City are a reminder of St. Johns almost 150 year history with their architecture and tree-lined City streets. Apartments and multi-family units provide area residents with choices for today's varied lifestyles. Many additional residential projects are ongoing and have been approved for construction.

State-of-the-art technology is featured in the 7,000 square-foot Briggs Public Library, which serves residents of both the City and surrounding townships. The Briggs Library also brings to the community many new family programs and featured speakers that enhance the quality of life in St. Johns.

The City of St. Johns is home to the only certified industrial park in Clinton County. The industrial park boasts a variety of businesses ranging from an automotive parts manufacturer, two large warehouse distribution centers, an information technology business, and a local credit union. Lots can be customized to fit all needs. The City purchased 13 acres adjacent to the Industrial Park for a regional detention facility which has been completed and exercised an option on the remaining 64 acres for future Industrial Park expansion.

### **Long-term Financial Planning**

A \$43 million dollar bond issue in 1995 for St. Johns Public Schools resulted in a new middle school, two new elementary schools, an addition and renovations to the high school, and new athletic facilities. The added opportunities which the new school construction provides helps elevate the reputation of the school system which has long been considered as one of the top-ranked Class A districts in the state with award-winning academic and theater programs.

A \$10.5 million dollar renovation project at Clinton Memorial Hospital completed in 2000 assures the continued provision of convenient, quality, local healthcare services to St. Johns community residents. Its senior citizens are equally well served by the nationally rated Hazel I. Findlay Country Manor, which provides quality care for the area's elderly population. In fact, an \$11 million dollar assisted living center and a 40 unit apartment complex and community center called Clinton Commons were completed in 2000.



## **Cash Management Policies and Practices**

The City maintains depository accounts with Fifth Third, Citizens Bank, and Firstbank of St. Johns and Comerica Bank of Detroit. The City holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by City officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the City's investment policy. The average balance of the City's investment portfolio for fiscal year 2005 was approximately \$6,775,625. The overall portfolio provided \$138,987 in investment income.

In compliance with the City's investment policy, the City Treasurer presents a quarterly investment report to the City Commission summarizing the investment activity, investment income earned, and the investments on hand at quarter end. The reports also compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

## **Risk Management**

The City participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims as filed against the pool, nor do they have any right to dividends.

The City also carries commercial insurance for the risk of loss due to workers' compensation claims.

## **MAJOR INITIATIVES**

### **Street and Sidewalk Program**

The City continues to take steps toward a comprehensive street repair program. The City has completed an update to a road condition study and has formulated a long range plan to improve and maintain the current road system. The City is continuing to explore financing options and alternatives for the citizens of St. Johns to consider. The City encourages homeowners through a reimbursement program to replace sidewalks that have deteriorated and aged. Additional funds have been budgeted this next fiscal year to further encourage sidewalk repair and replacement. This program continues to help the City in its efforts to have a safe and connecting network of non-motorized travel throughout. In addition to the expansion of the sidewalk program, the City of St. Johns contracted to have a tree study done of the trees in the City's right-of-way and parks. Trees were identified and catalogued as to species and condition. A maintenance plan was approved and implemented this fiscal year. There has been close to \$50,000 spent already on this program with more funds budgeted for next year.

### **Central Business District Streetscape**

The City of St. Johns recently sold bonds to reconstruct the streets and sidewalks for our central business district. This project includes new landscaping, lighting, sidewalks, and the updating of the infrastructure of our downtown. Construction should be completed during the spring of 2006.

### **Veteran's Memorial Project**

This project is being spearheaded by a local veteran's group to honor those men and women from Clinton County that have served in the armed forces. This project is being coordinated with the central business streetscape because of the location of the memorial. Its location will be at the north entrance to downtown and will be a great first impression to visitors to the area and a place for residents to gather and reflect.

### **Water & Sewer Rate Study**

An engineering firm was contracted to do an analysis on the water and sewer rate structure of the City. Statistics on inflows and outflows were examined and compared to other communities to determine the new rate structure. A long range view was included as to future capital improvements needed and to have the rate structure reflect these future needs. Included in this study were recommendations to prepare for new arsenic level mandates and the funding of future capital expenditures in the water and sewer system. This study was adopted by the City Commission and has been implemented.

## **Economic Development Effort**

The industrial park has seen tremendous growth in recent years and the City has implemented a plan of action to accommodate the continuing trend. The City has been awarded grant and loan funds to assist with financing of these projects and construction is complete in the first phase. With the purchase of an additional 64 acres, the City is poised for continuing future growth.

A new warehousing facility was completed in the spring of 2003 on approximately 37 acres in the industrial park. This new 17 million dollar facility has brought additional revenues and employment to our city. The new facility employs over 130 people and has become one of our largest taxpayers. Along with this new facility, a maintenance support business for this new entity has opened and has acquired enough land to facilitate future new growth.

A major renovation and expansion has been completed by a major local supermarket retailer. This new construction enhances the selections and choices of the community and keeps the revenues in our community.

Business/office space continues to expand in St. Johns with new construction and renovations of current space. An old school building was torn down to make way for a multi-use site. An office building has been constructed and filled with tenants on part of the site. Transitional residential space was included in the site plan and the last of the multi-family units are completed.

A new educational facility was developed in a vacant retail space. This facility offers college level and enrichment types of programs for the surrounding area. This makes it easier for people to learn new skills to help in their careers or for a job change, or just to learn something new just for fun without having to drive distances.

In 1998, the Downtown Management Board (DMB) was created for the purpose of facilitating programs for an improved growth environment in and near downtown St. Johns (known as the Principal Shopping District). Throughout the fiscal year ended June 2005, the DMB was active in the completion of the streetscape for the downtown area. This project has resulted in a million dollar renovation of the downtown area. A State of Michigan grant has been approved to aid in these projects.

In 1998, the City created a Local Development Finance Authority (LDFA). The LDFA was created primarily to promote economic growth in the City. This board continues to advance this goal with the purchase of additional land for future growth of the City's industrial park.

Renovations were completed on the City owned old railroad depot, which is directly across from the Briggs Library. Currently the local arts council utilizes this space for classes and enrichment for the community. The arts council has located an antique train rail car and is looking to raise funds to restore it as a train museum. This would greatly enhance the attraction at the depot and expose the arts council to more people.

A Rail to Trails project is being pursued to connect a trail that runs through the neighboring county to the east and continue the trail through the central business district. There has been a very positive reaction to this idea and plans are being drawn.

## **Sanitary Sewer Relining**

A bond proposal was passed for a sanitary sewer relining project in the City. In the summer of 2004 saw this project completed. This 2.6 million dollar bond issue has allowed the City to increase the efficiency and effectiveness of our wastewater collection and treatment systems along with other improvements and updating to our wastewater and water systems.

## **OTHER INFORMATION**

### **Independent Audit**

The City charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. This requirement has been complied with, and the independent auditor's report has been included in this report.

## Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its comprehensive annual financial report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. We also wish to express our sincere appreciation to City Department Heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Commission for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted.



Dennis D. LaForest

City Manager



Gregory T. Teichman, CMA  
City Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Johns,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Enen*

Executive Director

City of St. Johns

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

LIST OF CITY OFFICIALS

CITY COMMISSION

Richard Starck, Mayor

Dana C. Beaman

Mark R. Bates

Barry Dean

Heather R. Hanover

CITY MANAGER

Dennis D. LaForest

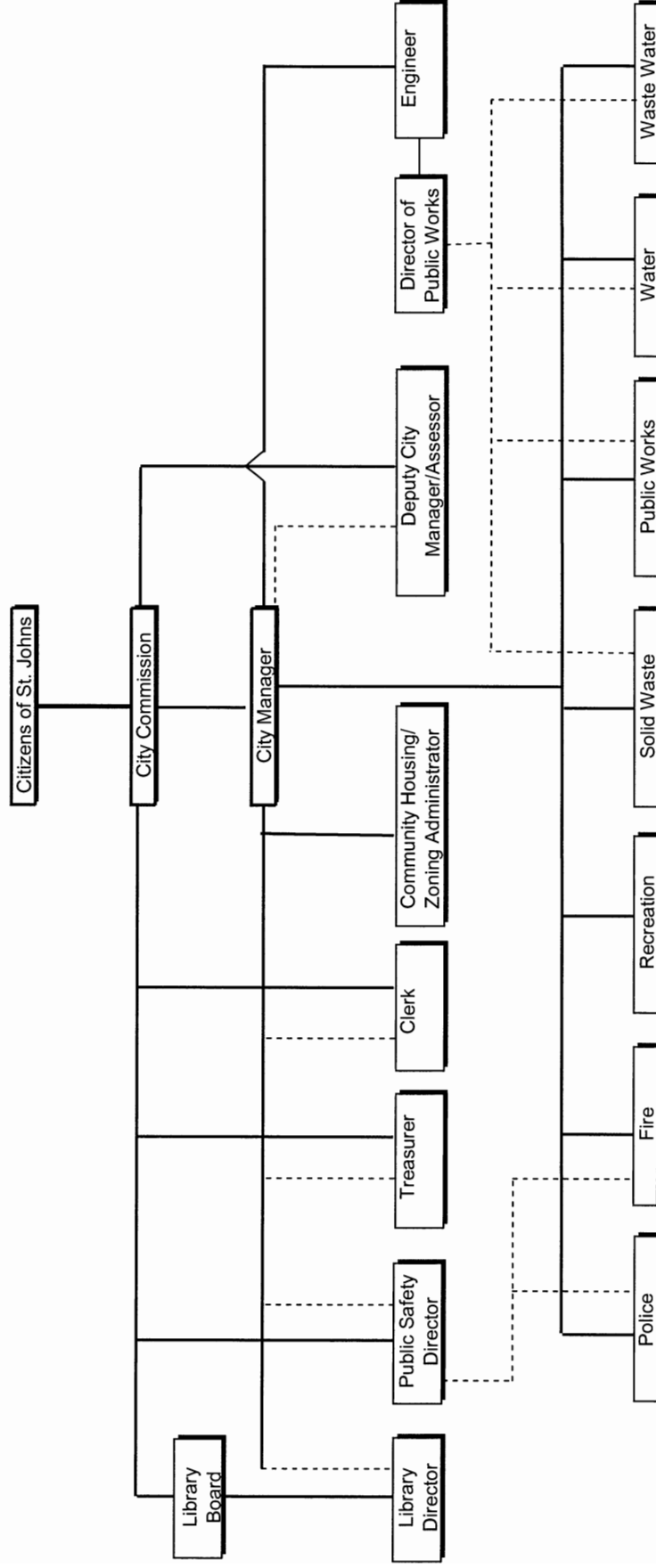
CITY TREASURER

Gregory T. Teichman

City of St. Johns

ORGANIZATIONAL CHART

2004-2005



## **FINANCIAL SECTION**

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Commission  
City of St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Johns' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Johns' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 1, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

The following is a discussion and analysis of the City of St. Johns financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2005. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page ix of this report, our letter of transmittal on pages i through iv, and with the City of St. Johns' financial statements, which follow this section. The City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures* for the fiscal year ended June 30, 2004. Therefore, this discussion and analysis provides comparisons with the previous fiscal year as required by GASB.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net assets, or the amount assets exceeded liabilities, were \$16,752,157 at the close of 2005 (excluding component units).
- Governmental activities net assets were \$7,143,045 at the end of 2005. This is an increase of \$491,272 over the prior year or 7.39%.
- Business-type activities net assets were \$9,609,112 at the end of 2005. This is an increase of \$147,802 over the prior year or 1.56%.
- Component unit net assets were \$94,189 at the end of 2005. This is an increase of \$32,217 over the prior year or 51.9%.
- The government's total net assets increased by \$671,291 over the total net assets as of the end of 2004, which is a 4.15% increase.

**Fund Level:**

- At the close of the fiscal year, the City of St. Johns' governmental funds reported a combined ending fund balance of \$3,690,006 with \$288,347 being reserved for specific purposes. This is an increase of \$1,136,644 over the 2004 amount and included \$735,000 in bond proceeds of which only \$165,000 had been spent.
- The General Fund's overall fund balance increased by \$505,794 over 2004. This increase is split between a designation for debt service of \$305,000 and undesignated fund balance of \$200,794. Included in this increase are one time revenues for the sale of land and buildings of \$317,800.

**Capital and Long-term Debt Activities:**

- The primary government (governmental activities) issued new debt for the fiscal year for the following items: \$735,000 in Capital Improvement Bonds for two street projects in the central business district and restoration of tennis/basketball courts.
- The total long-term debt for the primary government (governmental activities) was \$4,823,155 with a net addition of \$445,443 from the prior year.
- The primary government (business-type activities) issued new debt for the fiscal year for the following item: \$3,240,000 for the refinancing of two bond issues at a lower rate.
- The total long-term debt for the primary government (business-type activities) was \$8,718,730 with a net reduction of \$6,964 from the prior year.
- The City of St. Johns remains well below its authorized legal debt limit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of St. Johns consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and proprietary funds.

**Government-wide Financial Statements (Reporting the City of St. Johns as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City of St. Johns as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of St. Johns, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the City of St. Johns assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City of St. Johns financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of St. Johns net assets changed during fiscal year 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of St. Johns basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of St. Johns general government departments such as police and fire, the City Commission, public works, and recreation programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, the Library, and Drug Enforcement.
- **Business-type Activities** - These activities operate like private businesses. The City of St. Johns charges fees to recover the cost of the services provided. The City of St. Johns Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City of St. Johns Commission appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of St. Johns. Organizations included as component units: Principal Shopping District and Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City of St. Johns general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

**Fund Financial Statements (Reporting the City of St. Johns Major Funds)**

The fund financial statements, which begin on page 3, provide information on the City of St. Johns significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of St. Johns uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Mobile Equipment) as well as enterprise funds such as the Water & Fund.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of St. Johns include the General Fund, Garbage Fund, and the Water & Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of St. Johns includes detailed information on its nonmajor funds in other supplementary sections of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

The City of St. Johns funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of St. Johns basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of St. Johns programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the City of St. Johns charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City of St. Johns other operations, such as the Mobile Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The City of St. Johns acts as a trustee or fiduciary in certain instances. The City of St. Johns fiduciary activities are reported in separate statements of Fiduciary Net Assets on page 11 and Schedule of Changes in Assets and Liabilities on page 51. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of St. Johns to fund its operations.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

**Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS AS A WHOLE**

As previously stated, City of St. Johns combined net assets were \$16,752,157 at the end of this fiscal year's operations. The net assets of the governmental activities were \$7,143,045; the business-type activities were \$9,609,112.

**Net Assets as of June 30, 2005 and 2004**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and other assets	\$4,232,884	\$3,190,316	\$4,520,331	\$5,250,772	\$8,753,215	\$8,441,088
Capital assets	8,049,063	8,226,173	13,916,120	13,090,672	21,965,183	21,316,845
Total assets	12,281,947	11,416,489	18,436,451	18,341,444	30,718,398	29,757,933
<b>Liabilities</b>						
Current	723,261	707,134	448,506	448,145	1,171,767	1,155,279
Noncurrent	4,415,641	4,057,582	8,378,832	8,431,989	12,794,473	12,489,571
Total liabilities	5,138,902	4,764,716	8,827,338	8,880,134	13,966,240	13,644,850
<b>Net Assets</b>						
Invested in capital assets-						
net of related debt	3,471,291	4,100,144	5,197,390	4,364,978	8,668,681	8,465,122
Restricted	1,743,340	1,064,154	2,312,947	3,556,926	4,056,287	4,621,080
Unrestricted	1,928,414	1,487,475	2,098,775	1,539,406	4,027,189	3,026,881
Total net assets	<b>\$7,143,045</b>	<b>\$6,651,773</b>	<b>\$9,609,112</b>	<b>\$9,461,310</b>	<b>\$16,752,157</b>	<b>\$16,113,083</b>

The increase of \$639,074 from 2004 to 2005 in total net assets of the primary government reflects the impact of one time revenue sources due to sales of assets and the equity increase due to operations.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of St. Johns net assets changed between fiscal year 2004 to 2005:

**Changes in Net Assets for the Fiscal Year Ended June 30, 2005 and 2004**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 1,161,589	\$ 995,337	\$ 2,654,811	\$ 2,210,547	\$ 3,816,400	\$ 3,205,884
Operating grants and contributions	747,102	820,968	-	-	747,102	820,968
Capital grants and contributions	123,111	17,667	-	-	123,111	17,667
General revenues:						
Property taxes	2,024,846	2,016,384	-	-	2,024,846	2,016,384
State Revenue Sharing	753,763	768,834	-	-	753,763	768,834
Investment earnings	72,067	27,385	64,703	48,855	136,770	76,240
Gain on sale of assets	230,790	-	-	-	230,790	-
Miscellaneous	227,014	280,938	43,673	32,389	270,687	313,327
<b>Total revenues</b>	<b>5,340,282</b>	<b>4,927,513</b>	<b>2,763,187</b>	<b>2,291,791</b>	<b>8,103,469</b>	<b>7,219,304</b>
<b>Expenses</b>						
General government	1,247,137	1,330,958	-	-	1,247,137	1,330,958
Public safety	1,297,220	1,296,983	-	-	1,297,220	1,296,983
Public works	1,521,734	1,392,076	-	-	1,521,734	1,392,076
Community and economic development	-	500	-	-	-	500
Recreation and cultural	625,893	622,160	-	-	625,893	622,160
Water & Sewer	-	-	2,615,385	2,397,067	2,615,385	2,397,067
Interest on long-term debt	157,026	184,795	-	-	157,026	184,795
<b>Total expenses</b>	<b>4,849,010</b>	<b>4,827,472</b>	<b>2,615,385</b>	<b>2,397,067</b>	<b>7,464,395</b>	<b>7,224,539</b>
<b>Change in net assets</b>	<b>491,272</b>	<b>100,041</b>	<b>147,802</b>	<b>( 105,276 )</b>	<b>639,074</b>	<b>( 5,235 )</b>
<b>Net assets, beginning of year</b>	<b>6,651,773</b>	<b>6,551,732</b>	<b>9,461,310</b>	<b>9,566,586</b>	<b>16,113,083</b>	<b>16,118,318</b>
<b>Net assets, end of year</b>	<b>\$ 7,143,045</b>	<b>\$ 6,651,773</b>	<b>\$ 9,609,112</b>	<b>\$ 9,461,310</b>	<b>\$ 16,752,157</b>	<b>\$ 16,113,083</b>

**Governmental Activities:**

The result of fiscal year 2005 governmental activity was an increase of \$491,272 in net assets to \$7,143,045. Of the total governmental activities' net assets, \$3,471,291 is invested in capital assets less related debt, \$1,743,340 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City of St. Johns government. The balance of \$1,928,414 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were property taxes at 38%, State Shared Revenues at 14% and grants and contributions at 16%. The City of St. Johns levies a property tax millage for general government operations at 9.5846 mills which is not assigned to any particular activity. Total governmental revenues increased \$412,769 which was attributable to increased charges for services and gains on the sale of capital assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Expenses:**

Public Works is the largest governmental activity, expending approximately \$1.4 million of the \$4.8 million total expenses. General Government is the second largest area expending \$1.3 million. This includes administration, elections and other legislative expenses, and municipal building expenses. Public Safety is the third governmental activity, also expending approximately \$1.3 million. It includes the city's police and fire departments. Expenses in the 2005 fiscal year were relatively consistent with those of the 2004 fiscal year. In fact, total governmental expenses increased less than 1%.

**Business-type Activities:**

Net assets in business-type activities increased by \$147,802 during fiscal year 2005. This increase was due to a water and sewer rate study that was conducted and the current rates were reviewed. The results of the study recommended that the rates be increased to allow for capital improvements and maintenance of the water and sewer systems.

Of the total \$9.6 million of net assets in the business type activities, \$2 million is reported as unrestricted, \$1.3 million as restricted, and \$5.2 million is invested in capital assets (net of related debt).

**FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS MAJOR AND NONMAJOR FUNDS**

As the City of St. Johns completed fiscal year 2005, its governmental funds reported *combined* fund balances of \$3,690,006. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Garbage</b>	<b>Nonmajor Governmental Funds</b>
<b>Fund Balance 6/30/04</b>	\$ 360,939	\$ 308,231	\$1,884,192
<b>Fund Balance 6/30/05</b>	\$ 866,733	\$ 270,304	\$2,552,969
<b>Net Change</b>	\$ 505,794	\$ (37,927)	\$ 668,777

The General Fund balance increased by \$505,794. This increase is reflective of one time revenues from the sale of City owned land and buildings, as well as budget management efforts. The other major governmental fund, Garbage, decreased its fund balance by \$37,927. Tree trimming efforts were expanded in the City after a tree evaluation study was conducted. The combined nonmajor governmental funds increased by \$668,777 due mainly to the issuance of \$735,000 worth of capital improvement bonds for a downtown street reconstruction project and a recreation project.

**General Fund:**

The General Fund is the chief operating fund of the City of St. Johns. Unless otherwise required by statute, contractual agreement or Board policy, all City of St. Johns revenues and expenditures are recorded in the General Fund. As of June 30, 2005, the General Fund reported a fund balance of \$866,733. This amount is an increase of \$505,794 from the fund balance of \$360,939 reported as of June 30, 2004. Of the total fund balance, \$366,489 is reserved, designated or earmarked for specific purposes.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Garbage Fund:**

The Garbage fund had a decrease of \$37,927 to its fund balance from the prior year. The total fund balance is \$270,304 and all is undesignated/unreserved. The Garbage fund is supported by a user fee of \$120/household and a .50 millage on the ad valorem tax roll. Services such as weekly pickup of brush, Christmas tree collection in January, and free screened compost for gardens and yards are some of the benefits of this fund.

**Water & Sewer Fund:**

The Water & Sewer fund had an increase to its net assets of \$147,802. Operating revenues showed an increase of \$454,991. Charges for services increased by \$444,264 or 20%, other revenues decreased by \$10,727 - mainly tap-in fees. Operating expenses increased by \$238,602, this includes a water distribution increase of \$168,457. The water distribution expenses were system improvements such as conversion of old residential meters to electronic meters and an arsenic study completed in anticipation of new regulations to take effect in January 2006. Nonoperating expenses decreased by \$36,689 in 2005. Interest expense decreased by \$49,078, and interest revenue increased by \$15,848.

**General Fund Budgetary Highlights:**

The City of St. Johns budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues totaled \$3,896,456; \$203,441 above the final amended budget. Most of this variance can be attributed to the Local Development Finance Authority reimbursing the General Fund for debt payments and land bought for expansion of the City of St. Johns industrial park. The City of St. Johns expenditures totaled \$3,275,064; \$116,349 below the final amended budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2005, the City of St. Johns had invested \$8,049,063, and \$13,916,120 (net of accumulated depreciation) for governmental and business-type capital assets, respectively. Accumulated depreciation was \$5,446,244 for the governmental activities and \$10,580,023 for the business-type activities. Depreciation charges for the fiscal year totaled \$518,233 for the governmental activities and \$452,276 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
Land	\$ 1,023,740	\$ 91,570	\$ 1,115,310
Construction in progress	103,175	-	103,175
Land Improvements, net	850,880	-	850,880
Buildings, net	2,331,523	-	2,331,523
Vehicles, net	472,350	-	472,350
Furniture/Other, net	74,673	-	74,673
Drain Flow Rights	27,498	-	27,498
Infrastructure, net	3,165,224	-	3,165,224
Water System, net	-	1,430,159	1,430,159
Sewer System, net	-	12,175,634	12,175,634
Water & Sewer Equipment, net	-	218,757	218,757
<b>Capital assets, net</b>	<b><u>\$ 8,049,063</u></b>	<b><u>\$ 13,916,120</u></b>	<b><u>\$ 21,965,183</u></b>

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Long-term Debt - As of June 30, 2005, the City of St. Johns had \$4,823,155 in bonds, notes and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$3,400,000 is bonds, \$245,383 is sick and vacation, and \$1,177,772 is loans and notes (refer to Note G). This level of net obligation is \$445,443 more than the obligation recorded as of June 30, 2004. This was mainly due to the capital improvement bond sale for a street project and a recreational project.

**Outstanding Debt as of June 30, 2005:**

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Bonds	\$ 2,835,000	\$ 735,000	\$ 170,000	\$ 3,400,000
Loan Payable	349,265	-	-	349,265
Notes Payable	941,764	-	113,257	828,507
Accumulated vacation and sick	<u>251,683</u>	<u>-</u>	<u>6,300</u>	<u>245,383</u>
<b>Total Governmental Activities</b>	4,377,712	735,000	289,557	4,823,155
<b>Business Type Activities</b>				
Water and Sewer Bonds	8,572,989	3,326,956	3,333,920	8,566,025
Loan Payable	<u>152,705</u>	<u>-</u>	<u>-</u>	<u>152,705</u>
<b>Total Business Type Activities</b>	<u>8,725,694</u>	<u>3,326,956</u>	<u>3,333,920</u>	<u>8,718,730</u>
<b>Total Reporting Entity</b>	<u><b>\$ 13,103,406</b></u>	<u><b>\$ 4,061,956</b></u>	<u><b>\$ 3,623,477</b></u>	<u><b>\$ 13,541,885</b></u>
<b>Debt Limit (10% of SEV)</b>				<b>\$ 24,316,350</b>
<b>Available Statutory Debt Limit</b>	- see page 65			<b>\$ 21,223,518</b>

**Limitations on Debt:**

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City of St. Johns SEV as of June 30, 2005 was \$243 million; therefore the City of St. Johns debt limitation was \$24 million. The City of St. Johns remains well below its legal debt limit by over \$21 million.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS**

The citizens of St. Johns recently voted down a proposed major street reconstruction program that was brought before them. This program was included a bond sale of approximately \$14 million. This will mean more of state revenues that we receive for streets will be used for street maintenance and projects will have to be prioritized.

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. In the 2005/2006 State of Michigan budget, revenue sharing was spared any cuts. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of St. Johns. Escalating fuel costs could affect the amount of revenues the State receives through the tourism industry. The City of St. Johns will have to monitor closely the State of Michigan's revenue projections for any proposed cuts as the fiscal year progresses.

**CONTACTING THE CITY OF ST. JOHNS**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of St. Johns finances and to demonstrate the City of St. Johns accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of St. Johns Treasurer's Office at (989) 224-8944 or via email: csj@ci.saint-johns.mi.us

## **BASIC FINANCIAL STATEMENTS**

## City of St. Johns

## STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,538,571	\$ 2,359,354	\$ 5,897,925	\$ 102,019
Receivables	260,365	784,263	1,044,628	-
Due from other governmental units	355,015	-	355,015	-
Inventories	5,954	62,872	68,826	-
Prepays	72,979	4,030	77,009	600
Total current assets	4,232,884	3,210,519	7,443,403	102,619
Noncurrent assets				
Cash and cash equivalents, restricted	-	954,541	954,541	-
Deferred charges	-	355,271	355,271	-
Capital assets not being depreciated	1,126,915	91,570	1,218,485	-
Capital assets, net of accumulated depreciation	6,922,148	13,824,550	20,746,698	-
Total noncurrent assets	8,049,063	15,225,932	23,274,995	-0-
TOTAL ASSETS	12,281,947	18,436,451	30,718,398	102,619
LIABILITIES				
Current liabilities				
Accounts payable	139,672	27,930	167,602	2,230
Accrued liabilities	59,400	16,892	76,292	-
Due to other governmental units	20,629	-	20,629	6,200
Accrued interest payable	53,824	63,786	117,610	-
Deferred revenues	42,222	-	42,222	-
Current portion of compensated absences	36,807	-	36,807	-
Current portion of long-term debt	370,707	339,898	710,605	-
Total current liabilities	723,261	448,506	1,171,767	8,430
Noncurrent liabilities				
Noncurrent portion of compensated absences	208,576	-	208,576	-
Noncurrent portion of long-term debt	4,207,065	8,378,832	12,585,897	-
Total noncurrent liabilities	4,415,641	8,378,832	12,794,473	-0-
TOTAL LIABILITIES	5,138,902	8,827,338	13,966,240	8,430
NET ASSETS				
Invested in capital assets, net of related debt	3,471,291	5,197,390	8,668,681	-
Restricted for:				
Debt service	161,843	943,069	1,104,912	-
Capital projects	1,047,972	1,369,878	2,417,850	-
Drug law enforcement	16,786	-	16,786	-
Streets	516,739	-	516,739	-
Unrestricted	1,928,414	2,098,775	4,027,189	94,189
TOTAL NET ASSETS	\$ 7,143,045	\$ 9,609,112	\$ 16,752,157	\$ 94,189

See accompanying notes to financial statements.

City of St. Johns  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,247,137	\$ 194,580	\$ 14,504	\$ -	\$ (1,038,053)	\$ -
Public safety	1,297,220	17,132	2,343	-	(1,277,745)	-
Public works	1,521,734	814,085	502,464	7,819	(197,366)	-
Community and economic development	-	36,600	27,303	77,893	141,796	-
Recreation and cultural	625,893	99,192	200,488	969	(325,244)	-
Interest on long-term debt	157,026	-	-	36,430	(120,596)	-
Total governmental activities	4,849,010	1,161,589	747,102	123,111	(2,817,208)	-0-
Business-type activities:						
Water and sewer	2,615,385	2,654,811	-	-	-	39,426
Total primary government	\$ 7,464,395	\$ 3,816,400	\$ 747,102	\$ 123,111	(2,817,208)	39,426
Component units:						
Principal Shopping District	\$ 38,553	\$ -	\$ 30,766	\$ -	-	-0-
Local Development Finance Authority	128,584	-	-	-	-	-
Total component units	\$ 167,137	\$ -0-	\$ 30,766	\$ -0-	-0-	(136,371)
General revenues:						
Property taxes					2,024,846	-
State shared revenues - unrestricted					753,763	-
Investment earnings					72,067	64,703
Gain on sale of capital assets					230,790	-
Miscellaneous					227,014	43,673
Total general revenues					3,308,480	108,376
Change in net assets					491,272	147,802
Net assets, beginning of the year					6,651,773	9,461,310
Net assets, end of the year					\$ 7,143,045	\$ 9,609,112
					\$ 16,752,157	\$ 94,189

See accompanying notes to financial statements.

## City of St. Johns

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Garbage	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 668,614	\$ 330,354	\$ 2,347,786	\$ 3,346,754
Receivables				
Accounts	163,253	2,416	-	165,669
Special assessments	-	-	94,696	94,696
Due from other funds	250	-	8,206	8,456
Due from other governmental units				
Federal/State	127,958	-	220,857	348,815
Local	6,200	-	-	6,200
Prepays	61,489	134	11,057	72,680
<b>TOTAL ASSETS</b>	<b>\$ 1,027,764</b>	<b>\$ 332,904</b>	<b>\$ 2,682,602</b>	<b>\$ 4,043,270</b>
<b>LIABILITIES</b>				
Payables				
Accounts	\$ 51,714	\$ 59,089	\$ 19,116	\$ 129,919
Salaries	44,374	3,511	9,457	57,342
Due to other funds	2,092	-	6,364	8,456
Due to other governmental units	20,629	-	-	20,629
Deferred revenue	42,222	-	94,696	136,918
<b>TOTAL LIABILITIES</b>	<b>161,031</b>	<b>62,600</b>	<b>129,633</b>	<b>353,264</b>
<b>FUND BALANCES</b>				
Reserved for				
Prepays	61,489	134	11,057	72,680
Debt service	-	-	215,667	215,667
Unreserved				
Designated for debt service	305,000	-	504,621	809,621
Designated for capital projects	-	-	1,047,972	1,047,972
Undesignated, reported in				
General fund	500,244	-	-	500,244
Special revenue funds	-	270,170	773,652	1,043,822
<b>TOTAL FUND BALANCES</b>	<b>866,733</b>	<b>270,304</b>	<b>2,552,969</b>	<b>3,690,006</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,027,764</b>	<b>\$ 332,904</b>	<b>\$ 2,682,602</b>	<b>\$ 4,043,270</b>

See accompanying notes to financial statements.

City of St. Johns

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2005

**Total fund balance - governmental funds** **\$ 3,690,006**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 13,495,307	
Accumulated depreciation is	<u>(5,446,244)</u>	
Capital assets, net		8,049,063

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	94,696
----------------------------------------------------------------------------------------------------------------------------	--------

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	613,751	
Net capital assets of Internal Service Funds included in total capital assets above	(472,350)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>44,858</u>	
		186,259

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds, notes, and loans payable	4,577,772	
Accrued interest payable	53,824	
Compensated absences	<u>245,383</u>	
		<u>(4,876,979)</u>

<b>Net assets of governmental activities</b>	<b><u><u>\$ 7,143,045</u></u></b>
----------------------------------------------	-----------------------------------

See accompanying notes to financial statements.

## City of St. Johns

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Garbage	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,827,243	\$ 93,012	\$ 186,057	\$ 2,106,312
Licenses and permits	70,685	-	-	70,685
Intergovernmental	968,386	-	566,358	1,534,744
Charges for services	436,630	464,440	16,223	917,293
Fines and forfeits	49,690	-	131,669	181,359
Interest and rents	47,694	7,571	41,958	97,223
Other revenue	496,128	96	39,225	535,449
<b>TOTAL REVENUES</b>	<b>3,896,456</b>	<b>565,119</b>	<b>981,490</b>	<b>5,443,065</b>
<b>EXPENDITURES</b>				
Current				
General government	1,310,401	-	1,354	1,311,755
Public safety	1,289,203	-	2,240	1,291,443
Public works	255,887	603,046	335,095	1,194,028
Recreation and cultural	240,767	-	337,724	578,491
Debt service	141,567	-	309,067	450,634
Capital outlay	37,239	-	177,831	215,070
<b>TOTAL EXPENDITURES</b>	<b>3,275,064</b>	<b>603,046</b>	<b>1,163,311</b>	<b>5,041,421</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>621,392</b>	<b>(37,927)</b>	<b>(181,821)</b>	<b>401,644</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	424,301	424,301
Transfers out	(115,598)	-	(308,703)	(424,301)
Bond and loan proceeds	-	-	735,000	735,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(115,598)</b>	<b>-0-</b>	<b>850,598</b>	<b>735,000</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>505,794</b>	<b>(37,927)</b>	<b>668,777</b>	<b>1,136,644</b>
Fund balances, beginning of year	360,939	308,231	1,884,192	2,553,362
Fund balances, end of year	<u>\$ 866,733</u>	<u>\$ 270,304</u>	<u>\$ 2,552,969</u>	<u>\$ 3,690,006</u>

See accompanying notes to financial statements.



City of St. Johns

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

**Net change in fund balances - total governmental funds** \$ 1,136,644

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	327,175	
Depreciation expense	<u>(518,233)</u>	(191,058)
Net effect of disposal of capital assets		(86,052)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds	130,418	
Capital asset transactions of Internal Service Funds included in the total above	(74,201)	
Depreciation expense of Internal Service Funds included in the total above	81,444	
Principal retirement of Internal Service Funds included in the total below	<u>(14,080)</u>	123,581

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (70,831)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt proceeds	(735,000)	
Debt principal retirement	<u>283,257</u>	(451,743)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	24,431	
Decrease in accrued compensated absences	<u>6,300</u>	30,731

**Change in net assets of governmental activities** \$ 491,272

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2005

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service (Mobile Equipment)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,359,354	\$ 191,817
Accounts receivable	781,786	-
Special assessments receivable	2,477	-
Inventories	62,872	5,954
Prepays	4,030	299
Total current assets	3,210,519	198,070
Noncurrent assets		
Cash and cash equivalents, restricted	954,541	-
Deferred charges	355,271	-
Capital assets not being depreciated	91,570	-
Capital assets, net of accumulated depreciation	13,824,550	472,350
Total noncurrent assets	15,225,932	472,350
TOTAL ASSETS	18,436,451	670,420
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	27,930	9,753
Salaries payable	16,892	2,058
Accrued interest payable	63,786	-
Bond and notes payable - current portion	339,898	14,508
Total current liabilities	448,506	26,319
Noncurrent liabilities		
Bonds and notes payable	8,378,832	30,350
TOTAL LIABILITIES	8,827,338	56,669
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,197,390	427,492
Restricted for:		
Debt service	943,069	-
Capital projects	1,369,878	-
Unrestricted	2,098,775	186,259
TOTAL NET ASSETS	\$ 9,609,112	\$ 613,751

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2005

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service (Mobile Equipment)
OPERATING REVENUES		
Charges for services	\$ 2,649,811	\$ 475,159
Rentals	5,000	-
Other	41,796	7,461
TOTAL OPERATING REVENUES	2,696,607	482,620
OPERATING EXPENSES		
Water plant operation	232,709	-
Water distribution	432,836	-
Wastewater plant operation	582,053	-
Sewage collection	194,798	-
Administrative expenses	267,825	-
Mobile equipment	-	269,931
Depreciation	452,276	81,444
TOTAL OPERATING EXPENSES	2,162,497	351,375
OPERATING INCOME	534,110	131,245
NONOPERATING REVENUES (EXPENSES)		
Interest earned	64,703	2,110
Loss on sale of capital assets	-	(2,937)
Interest expense	(340,646)	-
Paying agent fees	(750)	-
Bond premium	1,877	-
Bond discount and deferred charges	(111,492)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(386,308)	(827)
CHANGE IN NET ASSETS	147,802	130,418
Net assets, beginning of year	9,461,310	483,333
Net assets, end of year	\$ 9,609,112	\$ 613,751

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service (Mobile Equipment)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,705,468	\$ 9,128
Cash receipts from interfund services provided	-	475,159
Cash paid to employees and vendors	(1,672,989)	(265,948)
Cash paid for interfund services received	(86,458)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	946,021	218,339
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond proceeds	3,240,000	-
Paying agent fees	(750)	-
Bond issuance and related costs	(176,760)	-
Capital purchases	(1,277,724)	(82,253)
Proceeds from sale of equipment	-	5,115
Interest paid	(340,646)	-
Payments on borrowings	(3,375,000)	(14,080)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,930,880)	(91,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	64,703	2,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(920,156)	129,231
Cash and cash equivalents, beginning of year	4,234,051	62,586
Cash and cash equivalents, end of year	\$ 3,313,895	\$ 191,817

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2005

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service (Mobile Equipment)
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 534,110	\$ 131,245
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	452,276	81,444
(Increase) in receivables	(148,556)	-
Decrease in due from other funds	157,417	-
(Increase) decrease in inventories	(3,458)	1,667
(Increase) decrease in prepaids	117	(299)
Increase in accounts payable	3,601	3,979
Increase in salaries payable	2,148	303
(Decrease) in accrued liabilities	(29,836)	-
(Decrease) in due to others	(21,745)	-
(Decrease) in due to other funds	(53)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 946,021</u>	<u>\$ 218,339</u>

See accompanying notes to financial statements.

City of St. Johns

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

Year Ended June 30, 2005

	Current Tax Collection Fund
	<hr/>
ASSETS	
Cash and cash equivalents	<hr/> <hr/> \$ 3
LIABILITIES	
Due to individuals and agencies	<hr/> <hr/> \$ 3

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF NET ASSETS

June 30, 2005

	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS			
Current			
Cash and cash equivalents	\$ 16,261	\$ 85,758	\$ 102,019
Prepays	600	-	600
TOTAL ASSETS	16,861	85,758	102,619
LIABILITIES			
Current			
Accounts payable	2,230	-	2,230
Due from other governmental units	6,200	-	6,200
TOTAL LIABILITIES	8,430	-0-	8,430
NET ASSETS			
Unrestricted	<u>\$ 8,431</u>	<u>\$ 85,758</u>	<u>\$ 94,189</u>

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Principal Shopping District				
Community and economic development	\$ 38,553	\$ -	\$ 30,766	\$ (7,787)
Local Development Finance Authority				
Community and economic development	128,584	-	-	(128,584)
TOTALS	<u>\$ 167,137</u>	<u>\$ -0-</u>	<u>\$ 30,766</u>	(136,371)
General revenues				
Property taxes				161,560
Investment earnings				1,488
Miscellaneous				<u>5,540</u>
Total general revenues				<u>168,588</u>
CHANGE IN NET ASSETS				32,217
Net assets, beginning of year				<u>61,972</u>
Net assets, end of year				<u>\$ 94,189</u>

See accompanying notes to financial statements.



## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of St. Johns is the county seat for Clinton County, Michigan, and has a population of approximately 7,485. St. Johns is a Home Rule City with a City Manager/Commission form of government. The City is located eighteen (18) miles north of Lansing, the State Capital, and is known as the "Mint Festival City".

The City has five City Commissioners who are selected at large for overlapping four (4) year terms. The Commission appoints the City Manager, Clerk, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity (as amended by GASB Statement 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the City of St. Johns (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the City's audit and are not audited separately.

2. Blended Component Unit

The Building Authority is governed by a three (3) member board appointed by the City Commission. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City of St. Johns remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City of St. Johns is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Local Development Finance Authority (LDFA) is governed by a ten (10) member board, seven (7) of whom are appointed by the Chief Executive Officer, subject to approval by the City Commission, one (1) of whom is appointed by the Clinton County Board of Commissioners, and two (2) of whom are appointed by the chief executive officer of St. Johns Public Schools. The purpose of the LDFA is to eliminate the causes of unemployment, under-employment, and joblessness and to promote economic growth in the City, pursuant to Act 281 of the Public Acts of Michigan, 1986, as amended. The City has the ability to significantly influence operations of the LDFA and also has a potential financial benefit or burden. The LDFA is legally separate and fiscally independent of the City. The LDFA is included in the City's audit and is not audited separately.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - concluded

The Principal Shopping District (PSD) is governed by a board of no less than nine (9) and no more than thirteen (13) directors. The board is comprised of owners and/or operators of downtown businesses, excepting by statute that one member shall be a representative of the City and one member shall be an adjacent neighborhood resident to the downtown area. The members are appointed by the City Commission. In addition, the Clinton County Board of Commissioners appoints one County representative to the board. The purpose of the PSD is to facilitate programs for an improved growth environment in and near downtown St. Johns, and to assist the downtown area in becoming a stronger mixed-use urban center by encouraging a variety of retail, service, professional, residential and recreational opportunities. The City has the ability to significantly influence operations of the PSD and also has a potential financial benefit or burden. The PSD is legally separate and fiscally independent of the City. The PSD is included in the City's audit and is not audited separately.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Garbage Fund is used to account for the proceeds of garbage collection that are legally restricted to expenditures for the purpose of garbage collection.
- c. The Water and Sewer Fund is used to account for the operations required to providing water and sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**5. Measurement Focus**

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

**6. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Budgets and Budgetary Accounting**

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the City Commission and City Manager prepare and submit their proposed operating budgets for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to June 1, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Fund; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted, all transfers of budgeted amounts between departments within the General Fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
- h. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original budgets which were amended.

**8. Cash and Cash Equivalents**

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of mutual funds.

**9. Property Tax**

The City of St. Johns bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of St. Johns on July 1 and December 1 and are payable without penalty through August 14 and February 14, respectively. The July 1 levy is composed of the State Education Tax assessment and the City's millage and assessments. The December 1 levy is composed of county and school taxes as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Property Tax - concluded

The City is permitted by state statute to levy taxes up to 10 mills (\$10 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for Library, Garbage, and Recreation services. For the year ended June 30, 2005, the City levied 9.5846 mills for general governmental services, 1.0000 mill for Library services, .5000 mills for Garbage services, and .2690 mills for Recreation. The total taxable value for the 2004 levy for property within the City was \$185,855,806.

10. Inventories

Inventories in the Enterprise Fund consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis. Inventory in the Internal Service Fund consist of consumable Mobile Equipment supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Prepayments

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

13. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund and Internal Service Fund (Mobile Equipment) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

14. Capital Assets - concluded

PRIMARY GOVERNMENT AND COMPONENT UNITS - CONCLUDED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 25 years
Buildings and improvements	20 - 40 years
Furniture and other assets	5 years
Infrastructure	20 years
Drain flowage rights	25 years
Sewer lines	40 years
Pump stations	20 years
Equipment	3 -10 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH AND CASH EQUIVALENTS**

The City cash and cash equivalents consist of a common savings account, a common checking account, various savings, money markets, mutual funds, and checking accounts maintained by individual funds and are reported as cash and cash equivalents in the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

3. Commercial paper rated at the time of purchase within the 3 highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City's investment policy is more restrictive than Michigan Compiled Laws. The City's investment policy authorizes the following investment vehicles:

1. All bonds, securities, and obligations of the United States or any of its agencies or instrumentalities.
2. Certificates of deposit, savings accounts, deposit accounts.
3. Repurchase agreements with the City's main depositories.
4. Money market mutual funds whose portfolios consist of U.S. government securities or other broadly diversified money market instruments as permitted by State law and whose portfolios are limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
5. Investment pools composed of investment vehicles which are legal for direct investment by local units of government in Michigan in accordance with Act No. 367 of the Public Acts of 1982.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**Deposits**

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2005, the carrying amount of the City's deposits was \$6,729,514 and the bank balance was \$6,404,421, of which \$394,403 was covered by federal depository insurance. The balance of \$6,010,018 was uninsured and uncollateralized. The financial statements include \$1,124 of imprest cash.

**External Pooled Investment Funds**

The City has funds in an external investment pool authorized by Michigan Public Act No. 367 of the Public Acts of 1982. As of June 30, 2005, the carrying amount and fair values of the external pooled investment funds was \$223,850. The fair value of the City's position in the external investment pool is the same as the value of the pool shares.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE B: CASH AND CASH EQUIVALENTS - CONCLUDED**Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City's investment in the external pooled investment funds are not categorized at risk level because it is not evidenced by securities that exist in physical or book form.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Commission approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2005.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,897,925	\$ 102,019	\$ 3	\$ 5,999,947
Cash and cash equivalents - restricted	<u>954,541</u>	<u>-</u>	<u>-</u>	<u>954,541</u>
	<u>\$ 6,852,466</u>	<u>\$ 102,019</u>	<u>\$ 3</u>	<u>\$ 6,954,488</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED**

The following summarizes the restricted cash and cash equivalents as of June 30, 2005:

	<u>Debt Retirement</u>	<u>Other</u>	<u>Total</u>
Water and Sewer Fund	<u>\$ 943,069</u>	<u>\$ 11,472</u>	<u>\$ 954,541</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2005, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ <u>250</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 2,092
Nonmajor governmental funds	<u>6,114</u>
	\$ <u>8,206</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 115,598
Nonmajor governmental funds	<u>308,703</u>
	\$ <u>424,301</u>

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

**Primary Government**

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,101,740	\$ -	\$ 78,000	\$ 1,023,740
Construction in progress	<u>-</u>	<u>103,175</u>	<u>-</u>	<u>103,175</u>
Total capital assets not being depreciated	1,101,740	103,175	78,000	1,126,915
Capital assets, being depreciated:				
Land improvements	923,172	87,777	-	1,010,949
Buildings and improvements	2,734,635	115,851	-	2,850,486
Vehicles	1,602,018	82,253	82,188	1,602,083
Furniture and other assets	754,190	17,800	-	771,990
Drain flowage rights	10,304	20,319	-	30,623
Infrastructure	<u>6,102,261</u>	<u>-</u>	<u>-</u>	<u>6,102,261</u>
Total capital assets being depreciated	12,126,580	324,000	82,188	12,368,392

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: CAPITAL ASSETS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities - continued				
Less accumulated depreciation for:				
Land improvements	\$( 119,688 )	\$( 40,381 )	\$ -	\$( 160,069 )
Buildings and improvements	( 451,033 )	( 67,930 )	-	( 518,963 )
Vehicles	( 1,122,425 )	( 81,444 )	( 74,136 )	( 1,129,733 )
Furniture and other assets	( 655,841 )	( 41,476 )	-	( 697,317 )
Drain flowage rights	( 2,713 )	( 412 )	-	( 3,125 )
Infrastructure	( 2,650,447 )	( 286,590 )	-	( 2,937,037 )
Total accumulated depreciation	( 5,002,147 )	( 518,233 )	( 74,136 )	( 5,446,244 )
Total capital assets, being depreciated, net	<u>7,124,433</u>	<u>( 194,233 )</u>	<u>8,052</u>	<u>6,922,148</u>
Governmental activities capital assets, net	<u>\$ 8,226,173</u>	<u>\$( 91,058 )</u>	<u>\$ 86,052</u>	<u>\$ 8,049,063</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 137,348
Public safety	5,777
Public works	327,706
Recreation and cultural	<u>47,402</u>

Total Depreciation Expense \$ 518,233

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 91,570	\$ -	\$ -	\$ 91,570
Capital assets, being depreciated:				
Water system	4,302,929	113,951	-	4,416,880
Sewer system	17,853,180	1,144,867	-	18,998,047
Water and sewer equipment	<u>970,740</u>	<u>18,906</u>	<u>-</u>	<u>989,646</u>
Total capital assets being depreciated	23,126,849	1,277,724	-0-	24,404,573

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: CAPITAL ASSETS - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities - concluded				
Less accumulated depreciation for:				
Water system	\$( 2,902,772 )	\$( 83,949 )	\$ -	\$( 2,986,721 )
Sewer system	( 6,475,167 )	( 347,246 )	-	( 6,822,413 )
Water and sewer equipment	( 749,808 )	( 21,081 )	-	( 770,889 )
Total accumulated depreciation	( 10,127,747 )	( 452,276 )	-0-	( 10,580,023 )
Total capital assets, being depreciated, net	12,999,102	825,448	-0-	13,824,550
Business-type activities capital assets, net	<u>\$ 13,090,672</u>	<u>\$ 825,448</u>	<u>\$ -0-</u>	<u>\$ 13,916,120</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2005.

PRIMARY GOVERNMENT

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within One Year
Governmental Activities					
1991 Michigan Transportation Bonds	\$ 20,000	\$ -	\$ 20,000	\$ -0-	\$ -
1997 Building Authority Bonds	570,000	-	30,000	540,000	30,000
1998 Michigan Transportation Bonds	290,000	-	30,000	260,000	30,000
1998 Building Authority Bonds	1,165,000	-	55,000	1,110,000	55,000
2001 Walker Road G.O. Bonds	190,000	-	20,000	170,000	25,000
2001 Walker Road Special Assessment Bonds	120,000	-	15,000	105,000	20,000
2003 Michigan Transportation Fund Bonds	480,000	-	-	480,000	-
2004 Capital Improvement Bonds	-	735,000	-	735,000	60,000
Accumulated vacation, sick leave, and longevity	251,683	-	6,300	245,383	36,807
Note payable - Fifth Third Bank, Land	177,000	-	27,000	150,000	28,000
Note payable - Citizens Bank, Depot	36,391	-	8,638	27,753	8,875
Note payable - Fifth Third Bank, Land	133,435	-	12,646	120,789	13,167
Note payable - Banc One, Land	536,000	-	50,893	485,107	52,082
Note payable - Citizens Bank, Front-loader	58,938	-	14,080	44,858	14,508
CDBG Loan - MEDC - 2002	<u>349,265</u>	<u>-</u>	<u>-</u>	<u>349,265</u>	<u>34,075</u>
Governmental activities long-term liabilities	4,377,712	735,000	289,557	4,823,155	407,514

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT - CONCLUDED

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within One Year
Business-type Activities					
Water Supply and Sewage					
1997 System Revenue Bonds	\$ 1,965,000	\$ -	\$ 1,480,000	\$ 485,000	\$ 110,000
1997A System Revenue Bonds	1,830,000	-	1,715,000	115,000	30,000
2003 Water and Sewer Refunding Bonds	4,875,000	-	180,000	4,695,000	185,000
2005 Water and Sewer Revenue Bonds	-	3,240,000	-	3,240,000	-
Add (less) deferred amounts:					
For issuance discounts/premiums (net)	( 97,011 )	86,956	( 41,080 )	31,025	-
Total bonds payable	8,572,989	3,326,956	3,333,920	8,566,025	325,000
CDBG Loan - MEDC - 2002	152,705	-	-	152,705	14,898
Business-type activities long-term liabilities	8,725,694	3,326,956	3,333,920	8,718,730	339,898
TOTAL PRIMARY GOVERNMENT	\$ 13,103,406	\$ 4,061,956	\$ 3,623,477	\$ 13,541,885	\$ 747,412

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above total for governmental activities.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**

**General Long-Term Debt Bonds (Payable from Debt Service Funds)**

\$750,000 1997 General Obligation Building Authority Bonds dated March 1, 1997, due in annual installments ranging from \$30,000 to \$60,000 through October 1, 2016, with interest ranging from 5.00 to 5.50 percent, payable semi-annually.	\$ 540,000
\$430,000 1998 Michigan Transportation Fund Bonds dated May 1, 1998, due in semi-annual installments ranging from \$30,000 to \$35,000 through August 1, 2012, with interest at 4.80 percent, payable semi-annually.	260,000
\$1,400,000 1998 Building Authority Bonds dated November 1, 1998, due in annual installments ranging from \$55,000 to \$110,000 through October 1, 2018, with interest at 4.375 percent, payable semi-annually.	1,110,000
\$250,000 2001 Walker Road Bonds dated September 1, 2001, due in annual installments ranging from \$25,000 to \$35,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually.	170,000
\$165,000 2001 Walker Road Special Assessment Bonds dated September 1, 2001, due in annual installments ranging from \$15,000 to \$20,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually.	105,000

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED****PRIMARY GOVERNMENT - CONTINUED****General Long-Term Debt Bonds (Payable from Debt Service Funds) - concluded**

\$480,000 2003 Michigan Transportation Fund Bonds dated December 1, 2003, due in annual installments ranging from \$10,000 to \$70,000 through August 1, 2018, with interest ranging from 3.125 to 4.200 percent, payable semi-annually. \$ 480,000

\$735,000 2004 Capital Improvement Bonds dated October 1, 2004, due in annual installments ranging from \$60,000 to \$90,000 through March 1, 2015, with interest ranging from 2.15 to 4.10 percent, payable semi-annually. 735,000

\$ 3,400,000

**Water Supply and Sewage Disposal System Bonds**

Water Supply and Sewage Disposal System Revenue Bonds dated March 1, 1997, due in annual installments ranging from \$110,000 to \$130,000 through October 1, 2008, with interest of 5.00 percent, payable semi-annually. \$ 485,000

Water Supply and Sewage Disposal System Revenue Bonds dated May 1, 1997, due in annual installments ranging from \$25,000 to \$30,000 through October 1, 2008, with interest ranging from 4.95 to 5.10 percent, payable semi-annually. 115,000

Water Supply and Sewage Disposal System Revenue Refunding Bonds dated May 24, 2005, due in annual installments ranging from \$25,000 to \$575,000 through October 1, 2017, with interest ranging from 3.00 to 5.00 percent, payable semi-annually. 3,240,000

Water Supply and Sewage Disposal System Revenue Refunding Bonds dated July 1, 2003, due in annual installments ranging from \$5,000 to \$300,000 through October 1, 2027, with interest ranging from 2.00 to 4.40 percent, payable semi-annually. 4,695,000

\$ 8,535,000

**General Long-Term Debt Note and Loan Payable Agreements (Payable from General Fund)**

1995 Note due in annual installments of \$37,328 through October 1, 2009, for land (116.58 acres) costing \$349,740. \$ 150,000

1998 Note due in annual installments of \$5,002 through February 15, 2008, for purchase of the Depot. 27,753

2003 Note due in monthly installments of \$1,439 through June 20, 2013, to refinance a note for land costing \$191,000. 120,789

2003 Note due in annual installments ranging from \$27,779 to \$53,300 through July 1, 2019, for land costing \$536,000. 485,107

\$ 783,649

**Internal Service Fund Note Payable Agreement**

2003 Note due in annual installments of \$15,872 through May 1, 2008, for a Front End Loader costing \$72,414. \$ 44,858

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED****PRIMARY GOVERNMENT - CONTINUED****CDBG Loans - Michigan Economic Development Corporation (MEDC)**

On August 23, 2002, the City received a loan award of \$1,100,000 from the Michigan Economic Development Corporation for the expansion of the industrial park. These funds were derived from the Federal Community Development Block Grant (CDBG) program. The City received a credit of \$10,000 for each qualifying net new job in excess of 115 jobs created as a result of this expansion up to 50% of the loan amount, plus accrued interest. Quarterly principal payments of \$12,243 are due through August 1, 2015.

Since the expansion related to both streets and utilities infrastructure, the loan proceeds were recorded in both the Capital Project Fund and Water and Sewer (Enterprise) Fund.

The outstanding balance as of June 30, 2005, is as follows:

Industrial Park #1	\$ 349,265
Water and Sewer Fund	<u>152,705</u>
	<u>\$ 501,970</u>

**Accrued Vacation, Sick Leave and Longevity**

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$245,383 at June 30, 2005.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and Land Contract are as follows:

**Primary Government**

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Loans, Notes and Land Contract Agreements</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 200,000	\$ 136,887	\$ 325,000	\$ 309,575	\$ 165,605	\$ 38,667	\$ 20,000	\$ 4,200
2007	225,000	128,843	360,000	317,905	169,137	32,908	15,000	3,400
2008	235,000	119,960	380,000	305,342	145,901	27,675	20,000	2,800
2009	250,000	110,441	390,000	291,550	123,054	22,871	15,000	2,000
2010	260,000	100,059	400,000	278,080	125,251	18,789	20,000	1,400
2011 - 2015	1,350,000	330,005	2,235,000	1,161,612	450,851	53,718	15,000	600
2016 - 2020	775,000	64,999	2,245,000	659,438	150,678	13,130	-	-
2021 - 2025	-	-	1,300,000	336,988	-	-	-	-
2026 - 2030	-	-	900,000	59,250	-	-	-	-
	<u>\$ 3,295,000</u>	<u>\$ 991,194</u>	<u>\$ 8,535,000</u>	<u>\$ 3,719,740</u>	<u>\$ 1,330,477</u>	<u>\$ 207,758</u>	<u>\$ 105,000</u>	<u>\$ 14,400</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONCLUDED**

**PRIMARY GOVERNMENT - CONCLUDED**

**Advance Refunding - Current**

On May 24, 2005, the City defeased a portion of the 1997 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable October 1, 1997 through October 1, 2016, and a portion of the 1997A Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1997 through October 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2005 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$3,240,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2005, bonds due and payable October 1, 2009 through October 1, 2016 for the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$1,375,000 and bonds due and payable October 1, 2009 through October 1, 2016 for the 1997A Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,685,000 are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$162,424, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$134,829.

**Advance Refunding - Prior**

On July 31, 2003, the City defeased a portion of the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable May 1, 1991 through October 1, 2006, and a portion of the 1993 Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1993 through October 1, 2013. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2003 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$4,875,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2005, bonds due and payable October 1, 2005 through October 1, 2006 for the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$200,000 and bonds due and payable October 1, 2005 through October 1, 2013 for the 1993 Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,660,000 are considered defeased.

**NOTE H: RETIREMENT PLAN**

**Plan Description**

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees. The City is required to provide amounts necessary to fund the system.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE H: RETIREMENT PLAN - CONCLUDED****Annual Pension Cost**

For year ended June 30, 2005 the City's annual pension cost of \$328,744 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual contributions were based on actual reported monthly pays. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.40% per year depending on age, seniority, and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

**Three (3) year trend information**

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 7,735,746	\$ 8,123,878	\$ 8,458,569
Actuarial accrued liability (AAL) (entry age)	10,611,763	11,134,781	11,933,834
Unfunded AAL	2,876,017	3,010,903	3,475,265
Funded ratio	73 %	73 %	71 %
Covered payroll	1,697,756	1,743,965	1,704,339
UAAL as a percentage of covered payroll	169 %	173 %	204 %

	Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 293,567	\$ 309,114	\$ 328,744
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**NOTE I: COMMITMENTS**

In December 1998, the City entered into a construction agreement with Clinton County to construct a new Courthouse. At the same time, the Building Authority entered into a ground lease with Clinton County that provides the City administrative office space for a term of ninety-nine (99) years, at a rate of \$1 per year.

The terms of the construction agreement dictate that the City shall pay 9.2% of the cost of improvements incurred by the County. The terms of the ground lease dictate that the County or City may terminate the lease on or after the December 31 occurring not earlier than ten (10) years following occupancy ("termination date"). For ten (10) years following the termination date, the County or City may terminate the lease subject to varying percentage payments reimbursing the City for their pro rata share of the cost of improvements. After the tenth year following the termination date, either party may terminate the lease subject to 100% reimbursement of the City's pro rata share of the cost of improvements.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2005:

Fund Balance

Primary Government	
General Fund	
Reserved for prepaids	\$ 61,489
Garbage Fund	
Reserved for prepaids	134
Nonmajor governmental funds	
Reserved for prepaids	11,057
Reserved for debt service	<u>215,667</u>
	<u>226,724</u>
	<u>\$ 288,347</u>

The following are the various fund balance designations as of June 30, 2005:

Primary Government	
General Fund	
Designated for debt service	\$ 305,000
Nonmajor governmental funds	
Designated for debt service	504,621
Designated for capital projects	<u>1,047,972</u>
	<u>1,552,593</u>
	<u>\$ 1,857,593</u>

**NOTE L: RISK MANAGEMENT**

The City carries commercial insurance for the risk of loss due to workers' compensation claims.

The City also participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The pool is responsible to pay all claims that are within insured limits. The City has no responsibility for additional assessments based on the claims as filed against the pool nor do they have any right to dividends.

The City has not had any insurance settlements that exceeded insurance coverage during the past three (3) years.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE M: BUILDING AND ZONING FINANCIAL INFORMATION**

The City elected to report the financial activities of the building and zoning department in the General Fund. The following is the State required information as it relates to this department activity for the period July 1, 2004 to June 30, 2005:

REVENUES	
Building permits	\$ 65,167
EXPENDITURES	
Contracted services	<u>45,277</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 19,890</u>

**NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

In the body of the required and other supplementary information to the financial statements, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2005, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Debt service			
Principal	\$ 66,744	\$ 99,177	\$ 32,433
Interest	-	42,390	42,390
Capital outlay	36,000	37,239	1,239

**NOTE O: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2005:

**PRIMARY GOVERNMENT**

## Governmental activities

## Restricted for:

Debt service	\$ 161,843
Capital projects	1,047,972
Drug law enforcement	16,786
Streets	<u>516,739</u>

Total governmental activities	<u>\$ 1,743,340</u>
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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE O: RESTRICTED NET ASSETS - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED

Business-type activities

Restricted for:

Debt service

\$ 943,069

Capital projects

1,369,878

Total business-type activities

\$ 2,312,947

## REQUIRED SUPPLEMENTARY INFORMATION

## City of St. Johns

## General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
General property tax	\$ 1,677,630	\$ 1,677,630	\$ 1,682,493	\$ 4,863
Act 359 tax	50,000	50,000	48,756	(1,244)
Property taxes on other than assessed valuation	3,500	3,500	4,796	1,296
Penalties and interest	10,000	10,000	9,732	(268)
Administrative fees	60,000	60,000	81,466	21,466
Total taxes	1,801,130	1,801,130	1,827,243	26,113
Licenses and permits				
Parking permits	3,000	3,000	4,418	1,418
Building permits	65,000	65,000	65,167	167
City licenses and permits	600	600	1,100	500
Total licenses and permits	68,600	68,600	70,685	2,085
Intergovernmental				
State shared revenue				
Sales tax	766,707	766,707	753,763	(12,944)
Liquor licenses	4,000	4,000	4,304	304
Metro act	20,000	20,000	24,550	4,550
Local	50,900	50,900	158,466	107,566
Other Federal grants	20,000	20,000	27,303	7,303
Total intergovernmental	861,607	861,607	968,386	106,779
Charges for services				
Filing fees	10,000	10,000	170	(9,830)
Fire protection	8,000	8,000	9,700	1,700
Water and sewage administration	258,000	258,000	258,000	-0-
Mobile equipment administration	34,145	34,145	34,145	-0-
Library administration and maintenance	10,300	10,300	10,300	-0-
Garbage administration	57,500	57,500	57,500	-0-
LDFA administration	5,000	5,000	5,000	-0-
Recreation	72,785	72,785	61,815	(10,970)
Total charges for services	455,730	455,730	436,630	(19,100)
Fines and forfeits				
Parking fines	3,000	3,000	7,432	4,432
District court	25,000	25,000	42,258	17,258
Total fines and forfeits	28,000	28,000	49,690	21,690

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES - CONCLUDED				
Interest and rents				
Interest	\$ 12,100	\$ 12,100	\$ 22,539	\$ 10,439
Rents	38,850	24,450	25,155	705
Total interest and rents	50,950	36,550	47,694	11,144
Other revenue				
Other reimbursements	119,398	119,398	160,866	41,468
Sale of capital assets	-	317,000	316,842	(158)
Miscellaneous	5,000	5,000	18,420	13,420
Total other	124,398	441,398	496,128	54,730
TOTAL REVENUES	3,390,415	3,693,015	3,896,456	203,441
EXPENDITURES				
General government				
Legislative	261,639	277,839	271,815	6,024
Administration	928,155	968,155	935,481	32,674
Municipal building	74,000	80,500	78,745	1,755
Cemetery	5,000	5,000	5,000	-0-
Other	23,880	23,880	19,360	4,520
Total general government	1,292,674	1,355,374	1,310,401	44,973
Public safety				
Police department	1,088,221	1,092,221	1,038,771	53,450
Fire department	257,734	257,234	250,432	6,802
Total public safety	1,345,955	1,349,455	1,289,203	60,252
Public works				
Department of public works	252,925	255,925	255,887	38
Recreation and cultural				
Recreation department	159,308	159,308	116,033	43,275
City parks	133,607	168,607	124,734	43,873
Total recreation and cultural	292,915	327,915	240,767	87,148

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONCLUDED				
Debt service				
Principal	\$ 66,744	\$ 66,744	\$ 99,177	\$ (32,433)
Interest	-	-	42,390	(42,390)
Total debt service	66,744	66,744	141,567	(74,823)
Capital outlay	20,000	36,000	37,239	(1,239)
TOTAL EXPENDITURES	3,271,213	3,391,413	3,275,064	116,349
EXCESS OF REVENUES OVER EXPENDITURES	119,202	301,602	621,392	319,790
OTHER FINANCING USES				
Transfers out	(105,066)	(116,066)	(115,598)	468
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	14,136	185,536	505,794	320,258
Fund balance, beginning of year	360,939	360,939	360,939	-0-
Fund balance, end of year	\$ 375,075	\$ 546,475	\$ 866,733	\$ 320,258



City of St. Johns

Garbage Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 93,783	\$ 93,783	\$ 93,012	\$ (771)
Charges for services	467,680	467,680	464,440	(3,240)
Interest	1,800	1,800	7,571	5,771
Miscellaneous	-	-	96	96
TOTAL REVENUES	563,263	563,263	565,119	1,856
EXPENDITURES				
Public works	550,650	605,650	603,046	2,604
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,613	(42,387)	(37,927)	4,460
Fund balance, beginning of year	308,231	308,231	308,231	-0-
Fund balance, end of year	<u>\$ 308,231</u>	<u>\$ 265,844</u>	<u>\$ 270,304</u>	<u>\$ 4,460</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**Nonmajor Governmental Funds  
Fund Descriptions**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to record the expenditures associated with specific revenues that are legally restricted for specific purposes.

Major Street - The Major Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of major streets.

Local Street - The Local Street Fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of local streets.

Library - This fund accounts for all revenues received by the City for the operation and maintenance of the public library. Financing is provided primarily by an annual property tax levy, penal fines distributed by the county, and through donations.

Drug Law Enforcement - This fund accounts for all revenues received by the City for drug forfeiture activities, which finance the City drug law enforcement program activities and related public safety activities.

**DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources and payment general obligation bond principal and interest from governmental resources.

1974 GO #2 Storm Sewer Bonds - This fund accounts for the payment of the 1974 General Obligation Storm Sewer Bonds.

1991 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1991 Michigan Transportation Fund Bonds related to local streets.

1993 GO #6 Refunding Bonds - This fund accounts for the payment of the 1993 General Obligation Refunding Bonds.

1997 Library Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Library Facility. Funding is set aside from the Library Fund's operating revenue and designated in the Library Fund fund balance.

1998 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1998 Michigan Transportation Fund Bonds related to major and local streets.

1998 Courthouse Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Courthouse project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road General Obligation Bonds - This fund is used to account for payment of principal and interest of bonds related to the Walker Road project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road Special Assessment - This fund is used to account for payment of principal and interest of special assessment debt related to the Walker Road project.

2003 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 2003 Michigan Transportation Fund Bonds related to major streets.

Capital Improvement Bonds - This fund is used to account for the payment of principal and interest of bonds related to the Capital Improvement Fund.

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds.

Fantasy Forest - This fund accounts for funds received and expended for the construction of a city owned playground structure.

Walker Road - This fund accounts for funds received and expended for the public improvement of Walker Road.

Industrial Park #1 - This fund accounts for funds received and expended for the improvement of the industrial park financed through a Community Development Block Grant.

Capital Improvement - This fund accounts for funds received and expended for capital improvement to the City's streetscape.

Michigan Transportation Project - This fund accounts for funds received and expended for the construction related to major streets.

City of St. Johns

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2005

	Special Revenue Funds			
	Major Street	Local Street	Library	Drug Law Enforcement
ASSETS				
Cash and cash equivalents	\$ 327,049	\$ 114,514	\$ 621,172	\$ 16,256
Special assessment receivable	-	-	-	-
Due from other funds	-	-	72	530
Due from other governmental units	57,369	23,906	139,582	-
Prepays	402	283	10,372	-
TOTAL ASSETS	<u>\$ 384,820</u>	<u>\$ 138,703</u>	<u>\$ 771,198</u>	<u>\$ 16,786</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 779	\$ 2,956	\$ 8,985	\$ -
Salaries payable	1,471	1,578	6,408	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	2,250	4,534	15,393	-0-
FUND BALANCES				
Reserved for				
Prepays	402	283	10,372	-
Debt service	-	-	-	-
Unreserved				
Designated for debt service	-	-	504,621	-
Designated for capital projects	-	-	-	-
Undesignated, reported in Special revenue funds	382,168	133,886	240,812	16,786
TOTAL FUND BALANCES	<u>382,570</u>	<u>134,169</u>	<u>755,805</u>	<u>16,786</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 384,820</u>	<u>\$ 138,703</u>	<u>\$ 771,198</u>	<u>\$ 16,786</u>

Debt Service Funds

1974 GO #2 Storm Sewer Bonds	1991 Michigan Transportation Fund Bonds	1993 GO #6 Refunding Bonds	1997 Library Bldg. Authority Fund Bonds	1998 Michigan Transportation Fund Bonds	1998 Courthouse Bldg. Authority Fund Bonds
\$ 2,310	\$ 157	\$ 3,804	\$ 121,350	\$ 809	\$ 16
-	-	-	-	-	-
-	-	-	-	-	6,114
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,310</u>	<u>\$ 157</u>	<u>\$ 3,804</u>	<u>\$ 121,350</u>	<u>\$ 809</u>	<u>\$ 6,130</u>
\$ -	\$ -	\$ -	\$ -	\$ 300	\$ -
-	-	-	-	-	-
2,310	-	3,804	-	-	-
-	-	-	-	-	-
<u>2,310</u>	<u>-0-</u>	<u>3,804</u>	<u>-0-</u>	<u>300</u>	<u>-0-</u>
-	-	-	-	-	-
-	157	-	121,350	509	6,130
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-0-</u>	<u>157</u>	<u>-0-</u>	<u>121,350</u>	<u>509</u>	<u>6,130</u>
<u>\$ 2,310</u>	<u>\$ 157</u>	<u>\$ 3,804</u>	<u>\$ 121,350</u>	<u>\$ 809</u>	<u>\$ 6,130</u>

City of St. Johns

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2005

	Debt Service Funds - Concluded			
	2001 Walker Road GO Bonds	2001 Walker Road Special Assessment Bonds	2003 Michigan Transportation Fund Bonds	Capital Improvement Bonds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 74,170	\$ 12,009	\$ 352	\$ -
Special assessment receivable	-	94,696	-	-
Due from other funds	-	1,490	-	-
Due from other governmental units	-	-	-	-
Prepays	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 74,170</u>	<u>\$ 108,195</u>	<u>\$ 352</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 250	\$ -
Salaries payable	-	-	-	-
Due to other funds	250	-	-	-
Deferred revenue	-	94,696	-	-
<b>TOTAL LIABILITIES</b>	250	94,696	250	-0-
<b>FUND BALANCES</b>				
Reserved for				
Prepays	-	-	-	-
Debt service	73,920	13,499	102	-
Unreserved				
Designated for debt service	-	-	-	-
Designated for capital projects	-	-	-	-
Undesignated, reported in Special revenue funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>73,920</u>	<u>13,499</u>	<u>102</u>	<u>-0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 74,170</u>	<u>\$ 108,195</u>	<u>\$ 352</u>	<u>\$ -0-</u>

Capital Projects Funds

Fantasy Forest	Walker Road	Industrial Park #1	Capital Improvement	Michigan Transportation Project	Total Nonmajor Governmental Funds
\$ 11,330	\$ -	\$ -	\$ 583,305	\$ 459,183	\$ 2,347,786
-	-	-	-	-	94,696
-	-	-	-	-	8,206
-	-	-	-	-	220,857
-	-	-	-	-	11,057
<u>\$ 11,330</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 583,305</u>	<u>\$ 459,183</u>	<u>\$ 2,682,602</u>
\$ -	\$ -	\$ -	\$ 5,846	\$ -	\$ 19,116
-	-	-	-	-	9,457
-	-	-	-	-	6,364
-	-	-	-	-	94,696
-0-	-0-	-0-	5,846	-0-	129,633
-	-	-	-	-	11,057
-	-	-	-	-	215,667
-	-	-	-	-	504,621
11,330	-	-	577,459	459,183	1,047,972
-	-	-	-	-	773,652
<u>11,330</u>	<u>-0-</u>	<u>-0-</u>	<u>577,459</u>	<u>459,183</u>	<u>2,552,969</u>
<u>\$ 11,330</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 583,305</u>	<u>\$ 459,183</u>	<u>\$ 2,682,602</u>

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Special Revenue Funds			
	Major Street	Local Street	Library	Drug Law Enforcement
REVENUES				
Property taxes	\$ -	\$ -	\$ 186,037	\$ -
Intergovernmental				
State	354,689	147,775	15,845	-
Local	-	-	48,049	-
Charges for services	-	-	16,223	-
Fines and forfeits	-	-	131,669	-
Interest and rents	4,261	1,513	12,711	265
Other	2,382	4,248	14,659	630
TOTAL REVENUES	361,332	153,536	425,193	895
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	2,240
Public works	175,388	159,707	-	-
Recreation and cultural	-	-	337,724	-
Capital outlay	-	-	11,909	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	175,388	159,707	349,633	2,240
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	185,944	(6,171)	75,560	(1,345)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in	-	55,287	-	-
Transfers out	(119,851)	(20,500)	(61,538)	-
TOTAL OTHER FINANCING SOURCES (USES)	(119,851)	34,787	(61,538)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	66,093	28,616	14,022	(1,345)
Fund balances, beginning of year	316,477	105,553	741,783	18,131
Fund balances, end of year	\$ 382,570	\$ 134,169	\$ 755,805	\$ 16,786



Debt Service Funds					
1974 GO #2 Storm Sewer Bonds	1991 Michigan Transportation Fund Bonds	1993 GO #6 Refunding Bonds	1997 Library Bldg. Authority Fund Bonds	1998 Michigan Transportation Fund Bonds	1998 Courthouse Bldg. Authority Fund Bonds
\$ 15	\$ -	\$ 5	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36	3	59	1,976	2	-
-	-	-	-	-	-
51	3	64	1,976	2	-0-
62	-	11	24	132	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	20,000	-	30,000	30,000	55,000
-	500	-	29,955	13,500	50,066
62	20,500	11	59,979	43,632	105,066
(11)	(20,497)	53	(58,003)	(43,630)	(105,066)
-	-	-	-	-	-
-	20,500	-	61,538	43,200	111,180
(2,310)	-	(3,804)	-	-	-
(2,310)	20,500	(3,804)	61,538	43,200	111,180
(2,321)	3	(3,751)	3,535	(430)	6,114
2,321	154	3,751	117,815	939	16
\$ -0-	\$ 157	\$ -0-	\$ 121,350	\$ 509	\$ 6,130

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended June 30, 2005

	Debt Service Funds - Concluded			
	2001 Walker Road GO Bonds	2001 Walker Road Special Assessment Bonds	2003 Michigan Transportation Fund Bonds	Capital Improvement Bonds
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rents	-	6,234	-	-
Other	133	17,072	-	-
<b>TOTAL REVENUES</b>	<b>133</b>	<b>23,306</b>	<b>-0-</b>	<b>-0-</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	20,000	15,000	-	-
Interest and fiscal charges	7,850	5,050	21,614	10,532
<b>TOTAL EXPENDITURES</b>	<b>27,850</b>	<b>20,050</b>	<b>21,614</b>	<b>10,532</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(27,717)</b>	<b>3,256</b>	<b>(21,614)</b>	<b>(10,532)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Transfers in	100,700	-	21,364	10,532
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>100,700</b>	<b>-0-</b>	<b>21,364</b>	<b>10,532</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>72,983</b>	<b>3,256</b>	<b>(250)</b>	<b>-0-</b>
Fund balances, beginning of year	937	10,243	352	-
Fund balances, end of year	<u>\$ 73,920</u>	<u>\$ 13,499</u>	<u>\$ 102</u>	<u>\$ -0-</u>

Capital Projects Funds					
Fantasy Forest	Walker Road	Industrial Park #1	Capital Improvement	Michigan Transportation Project	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,057
-	-	-	-	-	518,309
-	-	-	-	-	48,049
-	-	-	-	-	16,223
-	-	-	-	-	131,669
147	129	-	8,054	6,568	41,958
101	-	-	-	-	39,225
248	129	-0-	8,054	6,568	981,490
-	-	1,125	-	-	1,354
-	-	-	-	-	2,240
-	-	-	-	-	335,095
-	-	-	-	-	337,724
109	218	-	165,595	-	177,831
-	-	-	-	-	170,000
-	-	-	-	-	139,067
109	218	1,125	165,595	-0-	1,163,311
139	(89)	(1,125)	(157,541)	6,568	(181,821)
-	-	-	735,000	-	735,000
-	-	-	-	-	424,301
-	(100,700)	-	-	-	(308,703)
-0-	(100,700)	-0-	735,000	-0-	850,598
139	(100,789)	(1,125)	577,459	6,568	668,777
11,191	100,789	1,125	-	452,615	1,884,192
\$ 11,330	\$ -0-	\$ -0-	\$ 577,459	\$ 459,183	\$ 2,552,969

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended June 30, 2005

Major Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 341,573	\$ 341,573	\$ 354,689	\$ 13,116
Interest	1,000	1,000	4,261	3,261
Other	-	-	2,382	2,382
TOTAL REVENUES	342,573	342,573	361,332	18,759
EXPENDITURES				
Public works				
Highway and streets				
Administrative	24,120	24,120	26,013	(1,893)
Street maintenance	141,312	145,325	93,967	51,358
Traffic service maintenance	16,863	16,863	15,453	1,410
Winter maintenance	36,103	36,103	39,955	(3,852)
TOTAL EXPENDITURES	218,398	222,411	175,388	47,023
EXCESS OF REVENUES OVER EXPENDITURES	124,175	120,162	185,944	65,782
OTHER FINANCING USES				
Transfers out	(124,164)	(120,151)	(119,851)	300
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	11	11	66,093	66,082
Fund balance, beginning of year	316,477	316,477	316,477	-0-
Fund balance, end of year	<u>\$ 316,488</u>	<u>\$ 316,488</u>	<u>\$ 382,570</u>	<u>\$ 66,082</u>

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

Local Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 141,876	\$ 141,876	\$ 147,775	\$ 5,899
Interest	200	200	1,513	1,313
Other	-	-	4,248	4,248
TOTAL REVENUES	142,076	142,076	153,536	11,460
EXPENDITURES				
Public works				
Highway and streets				
Administrative	29,658	29,658	21,747	7,911
Street maintenance	127,517	123,504	107,266	16,238
Traffic service maintenance	6,044	6,044	6,298	(254)
Winter maintenance	17,624	23,124	24,396	(1,272)
TOTAL EXPENDITURES	180,843	182,330	159,707	22,623
EXCESS OF REVENUES (UNDER) EXPENDITURES	(38,767)	(40,254)	(6,171)	34,083
OTHER FINANCING SOURCES (USES)				
Transfers in	59,300	55,287	55,287	-0-
Transfers out	(20,500)	(20,500)	(20,500)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	38,800	34,787	34,787	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	33	(5,467)	28,616	34,083
Fund balance, beginning of year	105,553	105,553	105,553	-0-
Fund balance, end of year	\$ 105,586	\$ 100,086	\$ 134,169	\$ 34,083

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

Library Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 184,531	\$ 184,531	\$ 186,037	\$ 1,506
Intergovernmental				
State aid to libraries	12,000	12,000	15,845	3,845
Township contributions	37,000	37,000	48,049	11,049
Charges for services				
Photostat services	1,000	1,000	1,712	712
Rentals and fees	12,350	12,350	14,511	2,161
Penal fines	119,000	119,000	131,669	12,669
Interest	5,250	5,250	12,711	7,461
Other				
Donations	10,000	10,000	14,183	4,183
Miscellaneous	400	400	476	76
TOTAL REVENUES	381,531	381,531	425,193	43,662
EXPENDITURES				
Recreation and cultural				
Library operations	377,031	377,031	337,724	39,307
Capital outlay	9,500	9,500	11,909	(2,409)
TOTAL EXPENDITURES	386,531	386,531	349,633	36,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	(5,000)	75,560	80,560
OTHER FINANCING USES				
Transfers out	(67,000)	(67,000)	(61,538)	5,462
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(72,000)	(72,000)	14,022	86,022
Fund balance, beginning of year	741,783	741,783	741,783	-0-
Fund balance, end of year	\$ 669,783	\$ 669,783	\$ 755,805	\$ 86,022

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2005

Drug Law Enforcement

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 100	\$ 100	\$ 265	\$ 165
Miscellaneous	-	-	630	630
TOTAL REVENUES	100	100	895	795
EXPENDITURES				
Public safety				
Police operations	18,000	18,000	2,240	15,760
EXCESS OF REVENUES (UNDER) EXPENDITURES	(17,900)	(17,900)	(1,345)	16,555
Fund balance, beginning of year	18,131	18,131	18,131	-0-
Fund balance, end of year	\$ 231	\$ 231	\$ 16,786	\$ 16,555

**Fiduciary Fund  
Fund Description**

Fiduciary Funds account for assets held by the City in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Current Tax Collections - This fund accounts for current tax collections. All current tax monies collected by the City are receipted into this fund and later distributed to other funds or other governmental units.



## City of St. Johns

## Fiduciary Fund

## SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2005

Current Tax Collections Fund

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,278	\$ 7,997,811	\$ 8,000,086	\$ 3
Accounts receivable	-	3,298	3,298	-0-
<b>TOTAL ASSETS</b>	<u>\$ 2,278</u>	<u>\$ 8,001,109</u>	<u>\$ 8,003,384</u>	<u>\$ 3</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 5,374,369	\$ 5,374,369	\$ -0-
Due to other funds				
General Fund	2,278	1,941,658	1,943,936	-0-
Garbage Fund	-	393,239	393,239	-0-
Library Fund	-	181,882	181,882	-0-
Due to other governmental units				
St. Johns Public Schools	-	2,620,132	2,620,132	-0-
Clinton County Regional Educational Service Agency	-	637,914	637,914	-0-
Clinton County	-	1,488,423	1,488,423	-0-
Clinton County (SET)	-	1,112,410	1,112,410	-0-
Due to others	-	13,250	13,247	3
<b>TOTAL LIABILITIES</b>	<u>\$ 2,278</u>	<u>\$ 13,763,277</u>	<u>\$ 13,765,552</u>	<u>\$ 3</u>

City of St. Johns

Component Unit Funds

COMBINING BALANCE SHEET

June 30, 2005

	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS			
Current			
Cash and cash equivalents	\$ 16,261	\$ 85,758	\$ 102,019
Prepaid expenditures	600	-	600
TOTAL ASSETS	<u>\$ 16,861</u>	<u>\$ 85,758</u>	<u>\$ 102,619</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,230	\$ -	\$ 2,230
Due to other governmental units	6,200	-	6,200
TOTAL LIABILITIES	8,430	-0-	8,430
FUND BALANCES			
Unreserved, undesignated	8,431	85,758	94,189
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,861</u>	<u>\$ 85,758</u>	<u>\$ 102,619</u>

Note: Reconciliations of the component unit governmental funds balance sheet to the statement of net assets for the component units are not required as the component units' fund balances were equal to the component units' net assets as of June 30, 2005.

City of St. Johns

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Principal Shopping District	Local Development Finance Authority	Total Component Units
REVENUES			
Taxes	\$ -	\$ 161,560	\$ 161,560
Intergovernmental	7,220	-	7,220
Interest and rents	112	1,376	1,488
Other revenue	29,086	-	29,086
TOTAL REVENUES	36,418	162,936	199,354
EXPENDITURES			
Community and economic development	38,553	128,584	167,137
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,135)	34,352	32,217
Fund balances, beginning of year	10,566	51,406	61,972
Fund balances, end of year	\$ 8,431	\$ 85,758	\$ 94,189

Note: Reconciliations of the statement of revenues, expenditures, and changes in fund balances of the component units governmental funds to the statement of activities for the component units are not required as the net change in fund balances of the component unit governmental funds was equal to the change in net assets of the component units for the year ended June 30, 2005.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULE BY SOURCE <sup>(1)</sup>

June 30, 2005 and 2004

	2005	2004
Governmental funds capital assets:		
Land	\$ 1,023,740	\$ 1,101,740
Construction in progress	103,175	-
Land improvements	1,010,949	923,172
Buildings and improvements	2,850,486	2,734,635
Furniture and other assets	771,990	754,190
Drain flowage rights	30,623	10,304
Infrastructure	6,102,261	6,102,261
Total governmental funds capital assets	<u>\$ 11,893,224</u>	<u>\$ 11,626,302</u>
Investment in governmental fund capital assets by source:		
General Fund	\$ 4,347,559	\$ 4,098,437
Special Revenue Funds	7,545,665	7,527,865
Total governmental funds capital assets	<u>\$ 11,893,224</u>	<u>\$ 11,626,302</u>

<sup>(1)</sup> This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY <sup>(1)</sup>

June 30, 2005

Function and Activity	Land	Construction in Progress	Land Improvements	Buildings and Improvements	Furniture and Other Assets	Drain Flowage Rights	Infrastructure	Total
General government								
Administration	\$ 885,740	\$ -	\$ 240,172	\$ 1,798,337	\$ 63,366	\$ -	\$ -	\$ 2,987,615
Public safety								
Police department	-	-	-	102,566	-	-	-	102,566
Fire department	-	-	-	115,249	-	-	-	115,249
Total public safety	-0-	-0-	-0-	217,815	-0-	-0-	-0-	217,815
Public works								
Department of public works	-	-	683,000	99,554	17,800	30,623	-	830,977
Highway and streets	-	103,175	-	-	-	-	6,102,261	6,205,436
Total public works	-0-	103,175	683,000	99,554	17,800	30,623	6,102,261	7,036,413
Recreation and cultural								
Library	-	-	-	734,780	690,824	-	-	1,425,604
Parks and recreation	138,000	-	87,777	-	-	-	-	225,777
Total recreation and cultural	138,000	-0-	87,777	734,780	690,824	-0-	-0-	1,651,381
Total governmental funds capital assets	\$ 1,023,740	\$ 103,175	\$ 1,010,949	\$ 2,850,486	\$ 771,990	\$ 30,623	\$ 6,102,261	\$ 11,893,224

<sup>(1)</sup> This schedule presents only the capital assets balances related to governmental funds.

Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY <sup>(1)</sup>

Year Ended June 30, 2005

Function and Activity	Governmental Funds Capital Assets July 1, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
General government				
Administration	\$ 2,887,615	\$ 100,000	\$ -	\$ 2,987,615
Public safety				
Police department	102,566	-	-	102,566
Fire department	115,249	-	-	115,249
Total public safety	217,815	-0-	-0-	217,815
Public works				
Department of public works	777,007	53,970	-	830,977
Highway and streets	6,102,261	103,175	-	6,205,436
Total public works	6,879,268	157,145	-0-	7,036,413
Recreation and cultural				
Library	1,425,604	-	-	1,425,604
Parks and recreation	216,000	87,777	78,000	225,777
Total recreation and cultural	1,641,604	87,777	78,000	1,651,381
Total governmental funds capital assets	\$ 11,626,302	\$ 344,922	\$ 78,000	\$ 11,893,224

<sup>(1)</sup> This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL SECTION  
(UNAUDITED)**

City of St. Johns

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

1996-2005  
(Unaudited)

Fiscal Year	Legislative	General Government	Public Safety	Public Works	Community and Economic Development	Recreation and Cultural	Debt Service	Capital Projects	Total
1996	\$ 178,906	\$ 1,603,436	\$ 821,233	\$ 765,682	\$ -	\$ 450,826	\$ 421,005	\$ -	\$ 4,241,088
1997	192,258	1,815,250	826,404	1,234,233	-	441,081	428,183	13,743	4,951,152
1998	205,089	1,569,350	857,444	773,074	-	476,568	478,432	867,232	5,227,189
1999	278,175	766,469	1,119,077	715,458	-	473,722	491,524	1,211,338	5,055,763
2000	338,587	910,432	1,204,300	1,038,552	-	483,802	570,971	1,443,234	5,989,878
2001	311,646	992,187	1,220,886	866,763	-	497,454	567,514	379,081	4,835,531
2002	269,350	997,576	1,206,691	821,172	-	545,636	655,096	916,689	5,412,210
2003	-	1,573,309	1,248,541	794,489	-	553,351	579,550	1,665,375	6,414,615
2004	-	1,193,672	1,289,947	1,038,283	147,569	598,759	711,015	638,563	5,617,808
2005	-	1,311,755	1,291,443	1,194,028	167,137	578,491	450,634	215,070	5,208,558

Notes:

(1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.

(2) Source: City of St. Johns Basic Financial Statements.



City of St. Johns

GENERAL GOVERNMENTAL REVENUES BY SOURCE

1996-2005  
(Unaudited)

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges For Services	Fines and Forfeits	Interest and Rents	Other Revenue	Total
1996	\$ 1,583,232	\$ 7,397	\$ 1,192,481	\$ 803,543	\$ 108,110	\$ 98,720	\$ 345,221	\$ 4,138,704
1997	1,651,645	12,813	1,356,521	824,299	144,759	122,702	693,193	4,805,932
1998	1,687,201	10,711	1,500,309	868,622	154,619	131,521	389,138	4,742,121
1999	1,720,717	9,570	1,565,969	696,268	157,796	169,596	187,941	4,507,857
2000	1,794,807	12,465	1,455,270	804,132	171,510	187,659	261,371	4,687,214
2001	1,831,783	12,326	1,433,035	818,748	160,411	132,278	287,745	4,676,326
2002	2,029,634	11,275	1,989,573	769,332	164,252	107,595	206,362	5,278,023
2003	2,105,862	34,138	1,513,136	793,006	155,745	80,316	320,959	5,003,162
2004	2,093,488	39,577	1,468,819	878,152	176,994	54,392	363,723	5,075,145
2005	2,267,872	70,685	1,541,964	917,293	181,359	98,711	564,535	5,642,419

Notes:

(1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.

(2) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

PROPERTY TAX LEVIES AND COLLECTIONS

1996-2005  
(Unaudited)

Fiscal Year	General	Debt Service	Recreation	Library	Garbage	Total Tax Levy	Total Tax Collections	Percent Collected (1)
1996	\$ 1,135,739	\$ 262,965	\$ -	\$ 115,843	\$ -	\$ 1,514,547	\$ 1,514,278	99.98%
1997	1,188,651	261,882	-	121,243	-	1,571,776	1,570,570	99.92%
1998	1,230,826	247,267	-	125,438	-	1,603,531	1,603,271	99.98%
1999	1,274,964	230,181	-	130,047	-	1,635,192	1,632,705	99.85%
2000	1,313,370	227,021	-	135,133	-	1,675,524	1,670,022	99.67%
2001	1,343,977	241,804	-	139,093	-	1,724,874	1,722,823	99.88%
2002	1,428,680	257,871	-	148,336	74,162	1,909,049	1,906,574	99.87%
2003	1,514,947	234,420	-	157,338	78,663	1,985,368	1,978,611	99.66%
2004	1,618,462	92,607	-	168,851	84,419	1,964,339	1,960,651	99.81%
2005	1,776,404	-	49,841	185,330	92,659	2,104,234	2,099,957	99.80%

Notes:

(1) Clinton County pays the City of St. Johns the full amount of the delinquent real property taxes upon settlement in March of each year.

(2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

(3) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

TAXABLE PROPERTY VALUATIONS

1996-2005  
(Unaudited)

Fiscal Year	Real Property		Personal Property		Total	
	Assessed Value	Equalized Value	Assessed Value	Equalized Value	Assessed Value	Equalized Value
1996	\$ 102,668,600	\$ 102,668,600	\$ 16,149,400	\$ 16,149,400	\$ 118,818,000	\$ 118,818,000
1997	106,760,130	106,760,130	18,543,700	18,543,700	125,303,830	125,303,830
1998	113,762,600	113,762,600	18,834,700	18,834,700	132,597,300	132,597,300
1999	123,413,600	123,413,600	18,370,600	18,370,600	141,784,200	141,784,200
2000	141,227,400	141,227,400	17,326,500	17,326,500	158,553,900	158,553,900
2001	154,900,200	154,900,200	17,756,500	17,756,500	172,656,700	172,656,700
2002	165,418,700	165,418,700	21,477,700	21,477,700	186,896,400	186,896,400
2003	177,358,100	177,358,100	21,940,000	21,940,000	199,298,100	199,298,100
2004	195,513,348	195,513,348	23,422,800	23,422,800	218,936,148	218,936,148
2005	216,253,700	216,253,700	23,250,700	23,250,700	239,504,400	239,504,400

Notes:

(1) Information taken from Clinton County Equalization Reports.

(2) Ad valorem tax only, therefore, excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

City of St. Johns

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(Per \$1,000 of Assessed Value)

1996-2005  
(Unaudited)

Fiscal Year	City of St. Johns						St. Johns Public Schools	Clinton County	Clinton County Regional Educational Service Agency	Total
	General	Debt	Recreation	Garbage	Library	Total				
1996	9.8040	2.2700	-	-	1.0000	13.0740	13.0000	6.2993	1.6403	34.0136
1997	9.8040	2.1600	-	-	1.0000	12.9640	13.0000	5.8000	2.7653	34.5293
1998	9.8040	1.9700	-	-	1.0000	12.7740	13.0000	5.7727	2.7580	34.3047
1999	9.8040	1.7700	-	-	1.0000	12.5740	13.0000	5.7675	2.7550	34.0965
2000	9.7192	1.6800	-	-	1.0000	12.3992	13.0000	5.7555	2.7334	33.8881
2001	9.6618	1.7385	-	-	1.0000	12.4003	13.0000	5.7048	2.7105	33.8156
2002	9.6308	1.7385	-	0.5000	1.0000	12.8693	13.0000	5.6585	2.6922	34.2200
2003	9.6281	1.4900	-	0.5000	1.0000	12.6181	13.0000	5.6030	3.6668	34.8879
2004	9.5846	0.5486	-	0.5000	1.0000	11.6332	12.0000	5.6030	3.5989	32.8351
2005	9.5846	-	0.2690	0.5000	1.0000	11.3536	13.0000	5.8000	3.5813	33.7349

Notes:

- (1) Table in mills
- (2) Source: Tax Warrants issued by City Assessor
- (3) St. Johns Public Schools' rate indicates homestead millage. For non-homestead, add 18.0000 mills.

City of St. Johns

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

1996-2005  
(Unaudited)

<u>Fiscal Year</u>	<u>Special Assessment Levied</u>	<u>Special Assessment Collection</u>
1996	\$ 189,126	\$ 211,820
1997	189,679	203,804
1998	268,266	223,795
1999	229,080	220,170
2000	291,427	281,800
2001	267,941	270,102
2002	565,522	409,632
2003	327,090	331,233
2004	342,214	342,212
2005	364,278	355,037

City of St. Johns

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA

1996-2005  
(Unaudited)

Fiscal Year	Population	Equalized Value	Gross Bonded Debt <sup>(2)</sup>	Bonded Debt Service Funds Available <sup>(3)</sup>	Debt Payable From Enterprises	Net General Bonded Debt	Net Debt to Equalized Value	Net Debt Per Capita
1996	7,392	\$ 125,303,830	\$ 6,883,138	\$ 40,470	\$ 2,960,000	\$ 1,910,000	1.52%	\$ 258.39
1997	7,392	132,597,300	15,379,406	47,357	7,365,000	2,385,000	1.80%	322.65
1998	7,392	141,784,200	15,022,933	43,470	7,265,000	2,480,000	1.75%	335.50
1999	7,392	158,553,900	16,191,047	84,003	7,055,000	3,635,000	2.29%	491.75
2000	7,392	172,656,700	15,139,052	91,544	6,830,000	3,335,000	1.93%	451.16
2001	7,485	186,896,400	14,082,005	144,101	6,595,000	3,020,000	1.62%	403.47
2002	7,485	186,896,400	13,315,915	189,451	6,345,000	3,085,000	1.65%	412.16
2003	7,485	199,298,100	12,249,588	260,279	6,085,000	2,720,000	1.36%	363.39
2004	7,485	218,936,148	16,773,068	126,285	8,670,000	2,835,000	1.29%	378.76
2005	7,485	239,504,400	16,540,934	202,168	8,535,000	3,400,000	1.42%	454.24

Note:

(1) Source: City of St. Johns Basic Financial Statements.

(2) Amount does not include special assessment debt.

(3) Amount does not include funds available for retirement of special assessment debt.

City of St. Johns

BOND COVERAGE - WATER AND SEWER BONDS

1996-2005  
(Unaudited)

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue	Debt Service Requirements			Coverage
				Principal	Interest and Fees	Total	
1996	\$ 1,370,573	\$ 1,059,101	\$ 311,472	\$ 95,000	\$ 158,723	\$ 253,723	122.76%
1997	1,503,304	1,058,900	444,404	95,000	212,093	307,093	144.71%
1998	2,081,988	1,095,290	986,698	100,000	382,128	482,128	204.65%
1999	2,077,777	1,197,247	880,530	210,000	372,058	582,058	151.28%
2000	2,163,423	1,244,026	919,397	225,000	361,646	586,646	156.72%
2001	2,041,984	1,226,647	815,337	235,000	349,326	584,326	139.53%
2002	1,997,187	1,261,851	735,336	250,000	337,258	587,258	125.22%
2003	2,231,744	1,238,734	993,010	260,000	323,595	583,595	170.15%
2004	2,290,471	1,460,022	830,449	130,000	410,950	540,950	153.52%
2005	2,717,699	1,710,221	1,007,478	315,000	341,396	656,396	153.49%

Notes:

- (1) Operating revenues plus interest.
- (2) Operating expenses exclusive of depreciation.
- (3) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2005  
(Unaudited)

State Taxable Assessed Value		
Real property		\$ 216,253,700
Personal property		23,250,700
Industrial facilities (1)		<u>3,659,100</u>
Total taxable assessed value		<u>\$ 243,163,500</u>
Debt Limit		
10% of State equalized assessed value		\$ 24,316,350
Amount of Debt Applicable to Debt Limit		
Total bonded debt	\$ 11,935,000	
Less:		
Amount available in debt service funds	202,168	
Revenue bonds	8,535,000	
Special assessment bonds	<u>105,000</u>	
Total amount of debt applicable to debt limit		<u>3,092,832</u>
Legal debt margin		<u>\$ 21,223,518</u>

Note:

(1) Adjusted to State Equalized Equivalent



City of St. Johns

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2005  
(Unaudited)

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding <sup>(1)</sup></u>	<u>Estimated Percent Applicable</u>	<u>Direct and Estimated Overlapping Bonded Debt</u>
City of St. Johns	\$ 3,400,000	100.00%	\$ 3,400,000
St. Johns Public Schools	41,878,534	36.38%	15,235,411
Clinton County	<u>16,442,793</u>	9.68%	<u>1,591,662</u>
Total overlapping debt	<u>58,321,327</u>		<u>16,827,073</u>
Total direct and overlapping debt	<u>\$61,721,327</u>		<u>\$ 20,227,073</u>

Note:

(1) Excluding bonded debt reported in the enterprise funds, special assessment debt, and the amount available for repayment in the debt service funds.

City of St. Johns

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
BONDED DEBT TO TOTAL GENERAL EXPENDITURES

1996-2005  
(Unaudited)

Fiscal Year	Principal <sup>(3)</sup>	Fees and Interest <sup>(3)</sup>	Total Debt Service <sup>(3)</sup>	Total General Expenditures <sup>(1)</sup>	Ratio
1996	\$ 260,000	\$ 103,690	\$ 363,690	\$ 4,241,088	8.58%
1997	255,000	91,760	346,760	4,951,152	7.00%
1998	260,000	121,796	381,796	5,227,189	7.30%
1999	245,000	140,738	385,738	5,055,763	7.63%
2000	300,000	168,742	468,742	5,989,878	7.83%
2001	315,000	154,456	469,456	5,412,210	8.67%
2002	348,250	137,813	486,063	5,412,210	8.98%
2003	350,000	134,029	484,029	6,414,615	7.55%
2004	345,000	119,385	464,385	5,617,808	8.27%
2005	155,000	132,127	287,127	5,208,558	5.51%

Notes:

(1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.

(2) Source: City of St. Johns Basic Financial Statements.

(3) Excluding payments related to special assessment debt.

City of St. Johns

DEMOGRAPHIC STATISTICS

1996-2005  
(Unaudited)

Fiscal Year	Population	Labor Force <sup>(3)</sup>	Unemployment Rate <sup>(3)</sup>	School Enrollment <sup>(4)</sup>
1996	7,392 <sup>(1)</sup>	4,075	4.1%	3,328
1997	7,392 <sup>(1)</sup>	4,100	3.2%	3,354
1998	7,392 <sup>(1)</sup>	4,125	3.0%	3,445
1999	7,392 <sup>(1)</sup>	4,100	2.8%	3,397
2000	7,392 <sup>(1)</sup>	4,200	2.6%	3,371
2001	7,485 <sup>(2)</sup>	4,300	3.4%	3,331
2002	7,485 <sup>(2)</sup>	4,275	4.5%	3,280
2003	7,485 <sup>(2)</sup>	4,525	5.1%	3,390
2004	7,485 <sup>(2)</sup>	4,400	5.0%	3,390
2005	7,485 <sup>(2)</sup>	4,450	5.7%	3,382

Notes:

(1) Source: 1990 Census report.

(2) Source: 2000 Census Report

(3) Source: Michigan Department of Career Development.

(4) Total enrollment for St. Johns Public Schools.

City of St. Johns

PROPERTY VALUE AND CONSTRUCTION

1996-2005  
(Unaudited)

Fiscal Year	Nonresidential Construction		Residential Construction		Taxable Value (2)			
	Units	Values	Units	Values	Commercial	Industrial	Residential	Total
1996	37	\$ 2,403,885	31	\$ 692,602	\$ 19,311,109	\$ 5,155,600	\$ 75,767,524	\$ 100,234,233
1997	27	10,256,338	77	1,835,788	19,019,701	5,209,462	78,297,884	102,527,047
1998	16	3,569,525	59	2,521,385	18,981,922	5,486,869	82,009,411	106,478,202
1999	14	1,238,000	55	2,674,518	19,600,433	5,516,247	85,982,979	111,099,659
2000	6	1,497,995	18	2,522,000	22,861,947	5,616,466	92,852,027	121,330,440
2001	3	279,500	30	5,116,624	25,455,903	5,990,026	99,020,556	130,466,485
2002	23	2,024,426	94	4,704,020	24,774,532	6,016,120	105,218,633	136,009,285
2003 (3)	19	16,103,382	40	1,762,445	25,818,332	9,493,064	111,151,113	146,462,509
2004	20	- (4)	84	- (4)	29,347,469	13,281,674	119,450,527	162,079,670
2005	72	- (4)	183	- (4)	31,082,682	13,090,527	125,997,091	170,170,300

Notes:

(1) Source: Number of building permits issued - City of St. Johns.

(2) Source: Assessor's equalization reports.

(3) Construction details July 1, 2002 - November 30, 2002 are issued by City of St. Johns. Starting December 1, 2002, Clinton County issued 12 nonresidential and 52 residential permits on behalf of the City of St. Johns and values were not tracked.

(4) Construction values are not tracked by Clinton County.

City of St. Johns

PRINCIPAL TAXPAYERS

June 30, 2005  
(Unaudited)

<u>Taxpayer</u>	<u>Nature of Business</u>	2005 Taxable Value	Percent of Total Assessed Valuation
Sav-A-Lot	Warehouse	\$ 8,514,600	4.31%
Federal Mogul	Industrial	8,426,400	4.27%
Dana Corporatioin	Industrial	3,251,737	1.65%
Clinton Commons	Multifamily Complex	2,445,100	1.24%
Barnard Manufacturing	Industrial	2,131,952	1.08%
Consumers Energy	Public Utility	1,998,160	1.01%
Allied Ring Co.	Industrial	3,197,500	1.62%
CC Reality Fund	Retail	1,842,877	0.93%
M&M	Warehouse	1,507,360	0.76%
CCS/Lansing Inc.	Psychiatric Hospital	1,249,900	0.63%
Total assessed value of ten largest taxpayers		34,565,586	17.50%
Total assessed value of other taxpayers		162,802,370	82.50%
Total assessed value of all taxpayers		\$ 197,367,956	100.00%

Note:

(1) Source: City Assessor

City of St. Johns

MISCELLANEOUS STATISTICAL DATA

June 30, 2005  
(Unaudited)

Incorporated	1856
Form of government	Commission - Manager
Adopted Home Rule Charter (as amended)	July 1, 1950
Area in square miles	3.77
Police protection:	
Number of stations	1
Number of full-time officers	9
Number of auxiliary officers	5
Fire protection:	
Number of stations	1
Number of volunteer fire fighters	21
Recreation:	
Parks (acres)	142
Playgrounds	6
Municipal swimming pools	1
Tennis courts	11
Softball diamonds	3
Education:	
Number of certified teachers	182
Number of specialized instructional staff	22
Number of administrative staff	13
Enrollment:	
Elementary schools (6)	1,311
Middle school	791
High school	1,280
Average daily attendance	3,382
Paved streets (per lane mile)	80
Water lines (miles)	48
Sanitary sewer (miles)	43
Municipal water plant:	
Average daily consumption in gallons	767,592
Maximum storage capacity in gallons	900,000

City of St. Johns

MISCELLANEOUS STATISTICAL DATA - CONCLUDED

June 30, 2005  
(Unaudited)

Water Rates (Effective 7/1/04)

Meter Size (in inches)		<u>Capital Improvement</u>	<u>Debt</u>	<u>Base Chg</u>	Ready to Serve <u>Charge</u>
5/8 & 3/4	(A)	\$7.00	\$0.00	\$11.00	\$18.00
1	(B)	\$17.50	\$0.00	\$11.00	\$28.50
1 1/2	(C)	\$35.00	\$0.00	\$11.00	\$46.00
2	(D)	\$56.00	\$0.00	\$11.00	\$67.00
3	(E)	\$112.00	\$0.00	\$11.00	\$123.00
4	(F)	\$175.00	\$0.00	\$11.00	\$186.00
6	(G)	\$350.00	\$0.00	\$11.00	\$361.00

Commodity Charge: there is a charge of \$1.75 per 1,000 gallons.

Sewer Rates (Effective 7/1/04)

Meter Size (in inches)		<u>Capital Improvement</u>	<u>Debt</u>	<u>Base Chg</u>	Ready to Serve <u>Charge</u>
5/8 & 3/4	(A)	\$10.00	\$45.50	\$11.00	\$66.50
1	(B)	\$25.00	\$113.75	\$11.00	\$149.75
1 1/2	(C)	\$50.00	\$227.50	\$11.00	\$288.50
2	(D)	\$80.00	\$364.00	\$11.00	\$455.00
3	(E)	\$160.00	\$728.00	\$11.00	\$899.00
4	(F)	\$250.00	\$1,137.50	\$11.00	\$1,398.50
6	(G)	\$500.00	\$2,275.00	\$11.00	\$2,786.00

Commodity Charge: there is a charge of \$3.45 per 1,000 gallons.

Number of Meters: 3,031

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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**MANAGEMENT LETTER**

To the Honorable Mayor and  
Members of the City Commission  
City of St. Johns, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the City of St. Johns, Michigan for the year ended June 30, 2005. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

The City should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the City had several outstanding checks listed on various bank reconciliations that were more than one (1) year old. The Michigan Public Act 29 of 1995 provides that the City report and escheat unclaimed property to the State of Michigan.

We suggest the City attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the City review their unclaimed property and escheat funds to the State of Michigan as necessary.

This report is intended solely for the use of management and the City Commission of the City of St. Johns, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 1, 2005